



1 BEFORE THE ARIZONA CORPORATION COMMISSION

2 IN THE MATTER OF THE) DOCKET NO.
 3 REORGANIZATION OF UNISOURCE) E-04230A-03-0933
 4 ENERGY CORPORATION.) SPECIAL OPEN MEETING
) PUBLIC COMMENTS

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8 At: Tucson, Arizona

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14 REPORTER'S TRANSCRIPT OF PROCEEDINGS

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Room 222 of said
4 Commission, 400 West Congress, Tucson, Arizona,
5 commencing at 5:08 p.m., on the 17th day of June, 2004.

6

7 BEFORE: MARC SPITZER, Chairman
WILLIAM A. MUNDELL, Commissioner
8 JEFF HATCH-MILLER, Commissioner
MIKE GLEASON, Commissioner
9 KRISTIN K. MAYES, Commissioner

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1 CHMN. SPITZER: Good afternoon. The
2 Commission will come to order.

3 This is the time set for the Special Open
4 Meeting Public Comment on the UniSource merger
5 application.

6 My name is Marc Spitzer. I'm the Chairman
7 of the Arizona Corporation Commission, and we are very
8 pleased to be in Tucson for this matter. We're always
9 pleased to be in Tucson, but particularly on a matter of
10 such great interest and significance to the people of
11 southern Arizona.

12 The Commission is a statewide body under
13 Article 15 of the State Constitution, and as such, we
14 strive to represent all citizens in Arizona, not just
15 those in Phoenix or in Maricopa County. Commencing when
16 the gentleman to my right, Bill Mundell, was Chairman of
17 the Commission, the Commission embarked on public
18 comment throughout Arizona, made a studious effort to go
19 to all four corners of the state in our role as a
20 statewide body. We continue that tradition this
21 evening, and we also, again, due to the importance of
22 this matter and significance of this case will be
23 conducting the proceedings here in Tucson.

24 I will say that first, in nature of what is
25 the purpose this evening, proceedings before the

1 Commission are judicial in nature, and in many respects,
2 the rules of evidence and procedures applicable in
3 Superior Court or the Federal District Court apply to
4 our proceedings. There are parties to the case. Some
5 parties are the applicant and will always be a party,
6 and Staff of the Commission will always be a separate
7 party independent of the Commissioners, and that is an
8 important part to remember, that the Staff is a separate
9 party to this case. Independent of the Commission as
10 well, there are parties that intervene in the process
11 and they have status and are able during the course of
12 the proceedings and the course of the hearing to file
13 pleadings, to offer exhibits during the testimony
14 portion of the hearing. They can call witnesses,
15 cross-examine witnesses. So in many respects, the
16 proceedings are judicial in nature.

17 However, given the status of the Commission
18 as a quasi-judicial governmental agency under the
19 Arizona Constitution, there is also a political
20 component to our proceedings, and the Public Comment
21 this evening from the people who are not parties to the
22 proceeding is important, is significant. And
23 particularly given the great importance of this
24 particular applicant and this particular application not
25 only to southern Arizona but the entire State of

1 Arizona, this case is an interesting case to those who
2 have gone to our public docket and looked at the
3 testimony that's been filed so far as well as the
4 correspondence from all five Commissioners just
5 highlight the incredible complexity and importance of
6 this case.

7 The lawyers during the course of the hearing
8 will have their say. The Commissioners at open meeting
9 will vote on this matter and either approve the
10 application, amend the application, or reject the
11 application. But this evening is the time set for the
12 Commission and the Commissioners to hear from the people
13 of southern Arizona, and we are very pleased and excited
14 to do so.

15 Commissioner Mundell, do you have any
16 opening comments?

17 COM. MUNDELL: Thank you, Mr. Chairman.

18 I agree, and I appreciate your comments.
19 It's important that we get out of our offices in Phoenix
20 and go to the areas of the state that are impacted by
21 our decisions. And as you know and as you indicated,
22 since I have been on the Commission, we started that
23 policy of going to the communities that are impacted by
24 our decisions. So I look forward to hearing from the
25 people of Pima County and Tucson that will be impacted

1 by whatever decision we make in this matter.

2 As I've said before, we know under the terms
3 of the application, there is a benefit to the
4 shareholders, a 30 percent premium. We know that there
5 is a benefit in compensation to the current executives
6 of UniSource. And as I've stated in other hearings on
7 this matter, I've asked the question and I will be
8 asking that question during the hearings that start next
9 Monday here in Tucson, and that question is what is the
10 benefit to the customers of UniSource and TEP, and why
11 is this acquisition in the public interest.

12 So again, I think it's important to hold
13 proceedings outside of Maricopa County, and we have made
14 arrangements for people to be able to participate
15 telephonically because not only does this decision
16 impact Pima County and Tucson, but people in Santa Cruz
17 County, Nogales, Mohave County, Kingman, Lake Havasu,
18 and a number of other communities throughout the State
19 of Arizona. So I look forward to the hearing on Monday,
20 and I will be participating and have a set of questions,
21 a number of questions.

22 And as you indicated, all the Commissioners
23 have filed letters in the docket seeking additional
24 information, because this is a case, as the lawyers like
25 to say, a case of first impression. There have been

1 smaller acquisitions in other parts of the country, in
2 Michigan and Ohio and there is a current application
3 pending in Oregon, but this is a major, major issue, and
4 a case of first impression.

5 So thank you, Mr. Chairman. It's great to
6 be here in Tucson, Pima County.

7 CHMN. SPITZER: Thank you, Commissioner.

8 Commissioner Hatch-Miller.

9 COM. HATCH-MILLER: Thank you, Mr. Chairman,
10 and welcome to our Open Meeting. The seriousness of the
11 issue is attested to by the fact that there are five of
12 us here, so you have five out of five.

13 As I look at this situation, on Monday we
14 start hearings, and we are not the only body that is
15 going to be looking at the reorganization of UniSource.
16 The Securities and Exchange Commission and the Federal
17 Energy Regulatory Commission as well are going to be
18 looking at whether this makes sense and whether this is
19 in the best interest of the public. And our job is to
20 be there for you to make sure that there are no hidden
21 issues, that we're not going to lose quality of service
22 or quality of having a company in our community that
23 we've relied upon for many, many years now, whether it
24 was called TEP or Tucson Electric Power or UniSource.
25 And we want to make sure that the quality of that

1 service continues and that the rates are kept as low as
2 possible and that we move into the future in the best
3 possible way for Tucson, Pima County, and the rest of
4 the state that UniSource serves.

5 So again, thank you for being with us here
6 tonight. We appreciate you taking the time out of your
7 lives to contribute to this discussion and debate.

8 CHMN. SPITZER: Thank you, Commissioner.
9 Commissioner Gleason.

10 COM. GLEASON: Thank you. Good evening.
11 It's nice to see so many people out tonight.

12 As Commissioner Mundell said, this is a case
13 of first impression. Chairman Spitzer noted a while
14 back that one of his lawyer friends said that this is a
15 textbook case and will probably be going down in the
16 textbooks as to what happens because this is the first
17 time there has been a buyout of a public utility by the
18 private sector. So for that reason, we're all very
19 interested. We have done a lot of work. Everybody, I
20 think you will find them very well versed in what has
21 gone on in this case.

22 There are many, many factors and many wheels
23 within wheels in this case. Some of them are good, some
24 of them doubtful. Leveraged buyouts have in some ways
25 got a bad name, but there have been some very good ones

1 that have made the companies that after the leveraged
2 buyout were better companies than they were when they
3 started. But what we're looking for tonight is your
4 suggestions, the public's suggestions that next week
5 when the hearings are here that we can take to the
6 representatives of the companies, to our Staff, to all
7 the intervenors and we can ask those questions and get
8 answers. So we're, tonight what we're interested in
9 hearing your questions of what, what really you want us
10 to ask next week.

11 Thank you.

12 CHMN. SPITZER: Thank you, Commissioner.
13 Commissioner Mayes.

14 COM. MAYES: Thank you, Mr. Chairman. I
15 will just echo that it's great to be here. I think this
16 is our fifth public comment session on this matter.
17 We've been in Kingman and Lake Havasu, we've been in my
18 hometown of Prescott. Last night, we were in Nogales
19 and here tonight, and every place we have been we have
20 learned something totally new about this case, and
21 that's the value of that. I certainly expect to learn
22 something new tonight.

23 As Commissioner Mundell says, we have all
24 written letters to the docket about this. The letter
25 that I wrote asked a number of questions that I intend

1 to seek the answers to in the course of the proceedings
2 next week and thereafter, including what would this
3 merger mean for the rates of the people who fall within
4 UniSource's service territories. In my hometown and all
5 over northern Arizona, folks have been hit with
6 extremely high rate increases on the natural gas side,
7 and naturally, they want to know whether a new company
8 would seek to impose rate increases after the rate
9 freeze is over in '07.

10 Beyond the promise not to change upper level
11 management, are there any intentions to do large-scale
12 outsourcing or outsourcing of jobs of any kind? What
13 kind of assurances would we be given about the company's
14 willingness not to degrade health care benefits for the
15 workers of the company, and what kind of commitment will
16 the, would hypothetically a new company have to continue
17 charitable giving in the various communities it serves.
18 And perhaps most importantly, what kind of continued
19 commitment to infrastructure growth would this proposed
20 new company have, especially given the highly leveraged
21 nature of the deal? So again, we have a lot of very
22 tough questions to ask and a lot of answers to get.

23 I would add that it really is important that
24 we have a lot of involvement from the community on this,
25 and toward that end, we are trying very hard to get next

1 week's hearing at the very least on the Internet through
2 streaming audio, and I wish I could promise you right
3 now that we are going to have that done. Hopefully, we
4 will have an announcement to make tomorrow about that.
5 We had been trying to get a 1-800 number. I don't know
6 that we're going to get that, but hopefully we will at
7 least have it on streaming audio. And I think we have
8 made promises in every other town to get all the
9 documents in a public library, and I certainly think we
10 could get that here in Tucson. So anyway, I'm looking
11 forward to hearing what people have to say.

12 CHMN. SPITZER: Thank you, Commissioners.

13 We will now have public comment. If the
14 speakers upon my designation can identify themselves for
15 the record, spell their names for the court reporter who
16 is preparing a verbatim transcript of your remarks, and
17 then proceed.

18 The first slip is Valerie Rauluk.

19 MS. RAULUK: Valerie Rauluk, R-a-u-l-u-k.
20 I'm a resident and a business owner in Tucson Electric
21 Power's service area.

22 One of the things my business does is design
23 programs and raise money for renewable energy and
24 distributed generation, so I know a little bit about the
25 business that UniSource Energy is involved in. And in

1 my capacity as the director of the Clean Energy
2 Corporation, what I have prepared for you and handed out
3 is detail on some conditions which I think might protect
4 my community from the increased risk of this proposed
5 buyout.

6 The goal of my proposed conditions are as
7 follows: Safe, reasonable, and adequate supplies of
8 power by means of a balanced portfolio of energy
9 resources, and the recommended means for achieving that
10 goal is insure and increase support for renewable
11 energy, distributed generation, and energy efficiency.
12 The written statement outlines some specifics about
13 this.

14 In the limited time that I have, what I
15 would like to do is I would like to speak first of all
16 as a person who has done dozens of leveraged buyouts,
17 some as an investor, and I know how quickly these deals
18 can go south in a volatile market. Also I'm speaking as
19 a person who grew up in Pittsburgh during the first
20 energy crisis and watched my community melt down,
21 something that it still hasn't quite recovered from.
22 And finally, as a person who has studied the energy
23 markets and has observed increasing volatility driven by
24 new technologies, outdated business models and worldwide
25 energy supply and demand trends. The.

1 Bottom line is I am concerned that this
2 buyer may not be able to respond to these challenges in
3 a manner that will protect the well being and public
4 interest of my community. The buyer has said it's
5 interested in UniSource because of, and this is a quote,
6 "lower cost and less volatile coal-fired generating
7 resources." So does that mean that they will lock my
8 community into a single technology as the market is
9 exploding with alternatives, especially clean and
10 renewable ones? Does the focus on a monoculture of
11 strategies in a rapidly changing market contribute to
12 safe, reasonable, and adequate supplies of power for my
13 community? Time will tell. But without safeguards, if
14 this approach is not moderated, the wrong guess won't
15 just mean losses for investors or loss of face for
16 management. People will get hurt, and we know that's
17 the case because we have seen it happen in Chicago, in
18 New York, and in Europe when the power doesn't, isn't
19 available.

20 So I ask the Commissioners, is this the
21 right buyer for a public utility? Is this buyer
22 committed to a balanced portfolio? Do the new owners
23 have an open mind to the explosion of alternatives that
24 are unfolding, and not in the R&D labs but in the
25 marketplace right now? We need visionaries who can get

1 things done. The well being of our community depends on
2 it. Can this buyer meet the challenge?

3 I congratulate the shareholders of UniSource
4 and the management. They got themselves a really great
5 deal. Now let's see if we can make a good deal for the
6 longstanding, long-time investors in this deal, the
7 ratepayers, the consumers.

8 In summary, I am suggesting support for and
9 investment in a diversified portfolio of energy
10 resources which includes renewable energy, distributed
11 generation, and energy efficiency.

12 Thank you, and that concludes my remarks.

13 CHMN. SPITZER: Commissioner Hatch-Miller.

14 COM. HATCH-MILLER: Thank you, Mr. Chairman.

15 Ms. Rauluk, thank you for coming tonight.

16 Very well presented, by the way.

17 You were mentioning the need for this
18 company to be able to respond to some of the portfolio
19 issues we have, and I know you're aware that UniSource
20 is really responsible for oversight of the world's
21 largest solar array, photovoltaic array. It kind of
22 goes back and forth between us and Germany. Right now,
23 we're in first place; next month, we will probably be
24 behind them. But it keeps growing.

25 Do you have any sense from what you have

1 been hearing or any discussions you have had that there
2 is any potential that they would back away from that
3 kind of investment? Not just that, but investments like
4 that.

5 MS. RAULUK: First of all, it's still a
6 small part of power sales. Secondly, there's probably a
7 more useful strategy that could leverage private capital
8 by taking some of those resources and using them in
9 customer-sited generation in the form of a credit
10 purchase as APS has done, or an expansion of the Sunship
11 program as TEP has done.

12 Also in the marketplace, we have been
13 experiencing some resistance to distributed generation.
14 This is highly efficient fossil fuel based distributed
15 generation, so I would like to see some safeguards that
16 as they get into a more leveraged position, they don't
17 get a little more rigid about what kind of power
18 generation we can have in our community.

19 COM. HATCH-MILLER: That brings up an
20 interesting question. Would we be able to demand higher
21 requirements, environmental portfolio requirements as a
22 part of this reorganization under other than the
23 environmental portfolio standard itself?

24 MS. RAULUK: I think that is a condition the
25 Commissioners could attach to the buyout if they so

1 choose. I don't know if that is the most important
2 thing. I think the whole idea of a balanced portfolio
3 and all the things that can be done to make sure you
4 have a balanced portfolio including the standard
5 interconnection agreements, reasonable and fair rates,
6 transparent process on how you really get distributed
7 generation is part of the mix in the resources.

8 COM. HATCH-MILLER: And are you finding that
9 there's some restrictions or limitations on the
10 homeowners, for example, that use photovoltaics as a
11 generation source?

12 MS. RAULUK: Well, in this area, we've had
13 some difficulties with the complexities of the program
14 when you are going to the small homeowner. It's a very
15 administrative heavy, complex process for most people to
16 deal with. Now, there have been improvements in it, but
17 I think we can take it to the next level, and frankly, I
18 would like to see it go beyond the 1 kilowatt,
19 2 kilowatt household size to why not 10, 50, 100
20 kilowatts. These can be done, and they can be done very
21 cost effectively leveraging private capital instead of
22 requiring the ratepayer to have the full burden of
23 paying for the renewable investment we can have in our
24 community.

25 COM. HATCH-MILLER: Right. And this is very

1 obviously a complex discussion and may not be of
2 interest to all the members of the audience, but I think
3 it's important to look at. We are certainly both in
4 agreement, and I assume everybody on this panel is, that
5 we don't want to take backward steps for sure.

6 MS. RAULUK: Right.

7 CHMN. SPITZER: Commissioner Mayes.

8 COM. MAYES: Thank you for coming.

9 I think this may be more of a comment for
10 you to comment upon, but you raise an interesting point
11 which is to what degree would new management be
12 responsive to the need for renewable energy. And one
13 concern that I have is, you know, when you, if the
14 buyout or merger were to go forward, you add a whole new
15 layer of management. And the company has said, "Well,
16 we're going to keep the current management in place for
17 at least," I think they said five, at least five years.
18 But A, what happens after five years, and B, to what
19 degree does the layer above that management really
20 control things, and then if they've got to run things up
21 the flag pole.

22 I mean, one of the real advantages we have
23 as regulators have is we can call Steve Glaser or Jim
24 Pignatelli on the phone and say, "Hey, guys, what about
25 this proposal?" I did that recently. I agree with you

1 that we ought to have, that TEP and UniSource ought to
2 increase its buydown program as APS, to the level that
3 APS has, \$4 per watt. I called and asked if they would
4 be willing to do that, and they came to my office and we
5 talked about it, and I think they are and I think
6 they're going to move forward and bring it to the
7 Commission. But the question is to what degree could we
8 do that.

9 MS. RAULUK: Well, to tell you the truth, I
10 am not so concerned about the extent to which the new
11 investors would be involved in management, and I think
12 that you could make an argument that we're bringing in a
13 group of very sophisticated investors who might have an
14 interesting take on the emerging energy realities and
15 opportunities. So I'm not so concerned is it 80 percent
16 current management and 20 percent the new management and
17 what is the mix as much as there being a framework that
18 directs us towards a set of goals and a direction and
19 with real commitments attached to it so it's not just
20 words.

21 CHMN. SPITZER: And Valerie, I first want to
22 thank you for this very thoughtful presentation that you
23 have made.

24 MS. RAULUK: You're welcome.

25 CHMN. SPITZER: Being someone who was born

1 in Pittsburgh, I will tell you, the air quality through
2 technology of Carnegie Mellon and some of the robotics
3 and some of the spinoffs is really, I won't say when I
4 was born, but it was smoky in the fifties.

5 MS. RAULUK: I remember.

6 CHMN. SPITZER: I think that's one of the
7 testaments to technology. And they moved away from the
8 old coal and steel foundry to find other ways to
9 generate wealth for the people, and that is the
10 presentation you are making.

11 For you and those in the audience, because
12 of our judicial role, we are more limited in the remarks
13 that we can make in response to proposals such as yours
14 or issues, but as my colleagues have already pointed
15 out, these materials, particularly in writing, are
16 extraordinarily helpful to us as we analyze cases and
17 then at hearing and subsequently Open Meeting articulate
18 our concerns to the parties. So this is exactly the
19 type of comment that is helpful.

20 I would suggest to you that the issue you
21 raised with regard to distributed generation is
22 important because we're now into the area of subtle
23 distinctions and subtle changes between the model we
24 have now and the LDL model. And the relationship
25 between the utility and those that create distributed

1 generation is nuance and subtle, and a very tentative
2 signal from an investor in New York can send good
3 signals or bad signals to those in the streets who are
4 dealing, the engineering folks who are dealing with
5 distributed generation.

6 And because it is so subjective, that's, you
7 know, that's certainly an area I think we need to look
8 at, how engineers have historically liked the big power
9 plants because the accountants tell them that's the way
10 you build rate base in return to your shareholder. The
11 engineers like the big power plants because that is the
12 way it had always been done and they knew it works, and
13 there's maybe some legitimate concern with the future.
14 I think the thrust of your testimony is subtle
15 distinctions can be important.

16 MS. RAULUK: Yes, and if I may, Chairman,
17 the utilities can make money in an environment where
18 there's distributed generation and central station
19 models, and they are in many places. They're going to
20 make money a little differently, but they can make
21 money.

22 CHMN. SPITZER: Thank you very much.

23 Jeff Schlegel.

24 MR. SCHLEGEL: Jeff Schlegel,

25 S-c-h-l-e-g-e-l.

1 CHMN. SPITZER: Good to see you,
2 Mr. Schlegel.

3 MR. SCHLEGEL: Good evening. Thank you for
4 coming to Tucson.

5 My name is Jeff Schlegel. I want to thank
6 you for the opportunity to provide comment on this
7 important matter for the Tucson community.

8 I'm going to provide comments on behalf of
9 the Southwest Energy Efficiency Project or SWEEP on the
10 proposed reorganization of the UniSource Energy
11 Corporation.

12 SWEEP, the Southwest Energy Efficiency
13 Project, provides the following comments and
14 recommendations on energy efficiency related to the
15 proposal before you. SWEEP as you know is a public
16 interest organization dedicated to advancing energy
17 efficiency in Arizona and other southwestern states.
18 SWEEP is funded primarily by foundation, USDOE and
19 USEPA.

20 We are not an intervenor in this proceeding,
21 largely because of all the other balls we are juggling
22 in other forums before the Commission. However, we did
23 want to provide some public comments in this proceeding
24 before you.

25 SWEEP does not have a position pro or con on

1 the UniSource proposed buyout itself. However, we have
2 observed that other parties and individuals have raised
3 concerns about potential risks related to the leveraged
4 buyout and the potential negative impacts on safe,
5 reasonable, reliable, adequate service for customers.

6 In the event that the Commission based on
7 its independent assessment, and I encourage you to be
8 very deliberate in that assessment, is considering
9 approving the proposed buyout, SWEEP recommends two
10 conditions in the handout that it gave you to help
11 insure value for customers in the community and to
12 increase the likelihood that the resulting buyout with
13 such conditions would be in the public interest, not
14 just in the interest of shareholders and management.

15 The first condition that we recommend is to
16 insure an increased support for energy efficiency.
17 Increased energy efficiency would result in lower total
18 cost for customers, a more diverse and less risky energy
19 resource mix, increased reliability and reduced damage
20 to the environment. SWEEP continues to provide the same
21 recommendations we have before you in other forums, to
22 set goals to achieve energy savings of 7 percent of
23 total energy resources by 2010 and 17 percent by 2020
24 with energy efficiency programs and adequate funding to
25 achieve those goals.

1 We are currently working as you know on
2 energy efficiency issues with Tucson Electric Power,
3 UniSource, UNSE and other parties in several forums
4 before you. To its credit, Tucson Electric Power has
5 offered to increase energy efficiency funding from about
6 \$1 million to about \$3.3 million annually as part of
7 that proceeding, which we see as a valuable start. I
8 think as you are aware, we're, the SWEEP target for
9 funding is about one and a half mils per kilowatt hour
10 of retail energy sales which for Tucson Electric in 2005
11 would be about 14 to \$15 million. So that's a
12 significant step along the way, but there's still a gap
13 there.

14 What we are recommending as a condition is
15 that the Commission include a condition in any approval
16 of the buyout to insure that the new owners increase the
17 commitment of TEP and UNSE to energy efficiency by
18 raising funding level and offering programs that would
19 benefit customers, the community, the electric system,
20 and the environment.

21 Now, the second condition is a very specific
22 condition that would help to do this. SWEEP recommends
23 that the Commission set aside \$25 million of utility
24 capital for use as a revolving pool of capital for
25 energy efficiency investments in municipalities and

1 schools. The utility capital pool would be revolving in
2 that it would be paid back through an additional monthly
3 payment on the customer utility bills, essentially on
4 the bill recovering for capital investments and energy
5 efficiency which would basically be perceived as an
6 alternative to capital investment in conventional
7 sources of power. The monthly repayment amount and the
8 repayment terms should be set at levels to provide the
9 customer with a positive annual cash flow based on the
10 estimated energy savings resulting from the measures
11 installed. A portion of the increased DSM program
12 funding which I discussed in the first condition should
13 be used to reduce or buy down the interest rate of the
14 utility capital pool for municipalities and schools. In
15 addition, the increased funding could be used to provide
16 technical assistance and to guarantee the recovery of
17 the utility capital in the unlikely event of customer
18 default.

19 On the back, I did a little color-coded
20 graph for you which basically shows the current utility
21 bill, what the new bill would be at the level of reduced
22 energy use through energy efficiency. The actual bill
23 that the customer would pay would be the same as it is
24 now, positive cash flow basically until such point that
25 the investment is repaid, and then the customer would

1 pay at the new level. So it's a positive cash flow
2 approach using utility capital for customers who are
3 going to be around and able to repay this and for
4 customers who have no access to capital. Municipalities
5 have no current access to capital, and neither do
6 schools as you well know.

7 The benefits from this approach would accrue
8 directly to the community and its taxpayers through
9 reduced energy costs for municipalities and schools.
10 There are two examples of this in place. One, TUSD and
11 Tucson Water have such an arrangement, partly through a
12 proposal SWEEP made a few years ago. We weren't able to
13 get it with the electric or gas utility, but we were,
14 TUSD was able to negotiate with Tucson Water.

15 CHMN. SPITZER: Jeff, if I may, just so I
16 understand, and I had some dealings with school business
17 officers over the years, and it struck me, given you
18 have the Students First and you have the bond finance,
19 and they're not as familiar with Students First. It's
20 new people working their way through the application
21 process. There's 100 years of history with the
22 municipal bonds, and the bond houses do a lot of the
23 spade work to take the burden off the business offices.

24 My first thought was some of the school
25 business officers would be reluctant because this is

1 new, it is a form of indebtedness, but you had an
2 example with TUSD and Tucson Water. Were there any
3 hurdles in terms of statutory indebtedness or simple
4 reluctance by the TUSD business officers from engaging
5 in this type of transaction?

6 MR. SCHLEGEL: There was some uncertainty
7 about, with the TUSD/Tucson Water arrangement, and it
8 was new, so it was unusual and took a little while to
9 negotiate. But there is no indebtedness; it's not a
10 secured loan. It's a repayment of the investment that
11 the company is making. And so we're not really talking
12 about a secured loan here, and that is one of the
13 reasons we are proposing it only for these types of
14 customers currently.

15 CHMN. SPITZER: I am assuming the TUSD
16 attorneys signed off on this transaction?

17 MR. SCHLEGEL: Yes. They have been doing
18 this more than a year with Tucson Water. The other
19 example is Connecticut where the two utilities have a
20 positive cash flow program like this repayment program
21 for municipalities and small businesses.

22 That concludes my comments. Thank you.

23 CHMN. SPITZER: Thank you.

24 Commissioner Hatch-Miller.

25 COM. HATCH-MILLER: It's great to see you.

1 Were you in Phoenix for the Industries of the Future
2 Conference?

3 MR. SCHLEGEL: I missed that.

4 COM. HATCH-MILLER: I was there. I gave a
5 presentation but also listened in on a number of the
6 speakers who were all talking pretty much about demand
7 side management. There's -- are you familiar with the
8 ASU program? They're giving free energy audits to
9 medium-sized businesses up to, I don't know, \$2 million
10 annual revenues, quite a number of employees and the
11 like? Are you familiar with that?

12 MR. SCHLEGEL: Yes, Commissioner
13 Hatch-Miller, I am familiar with the ASU energy audit
14 approach, yes, not with all the details, but I am
15 familiar with it.

16 COM. HATCH-MILLER: This is kind of an aside
17 from what we are talking about.

18 CHMN. SPITZER: And ASU are three dirty
19 letters down here.

20 COM. HATCH-MILLER: I understand that, and
21 the fact I worked for U of A I am very proud of.

22 I thought that was interesting. I want to
23 talk to you about that sometime in the future. I guess
24 the point you are trying to get us to understand is that
25 instead of just moving towards more and more generation

1 or more and more transmission or more and more
2 distribution of the energy, what we need to do is find
3 ways to use less of it. And when we can find ways, and
4 you have given me the figures in various workshops, but
5 a very small decrease in the amount of energy that we
6 consume can lead to a significant decrease in the number
7 of generation units we have to build, number of miles of
8 transmission lines. I guess that's what you're saying,
9 and you're hoping that there will be, if I hear you
10 right, you are hoping there will be some funds targeted
11 for doing just that.

12 MR. SCHLEGEL: Yes, Commissioner
13 Hatch-Miller. Everything you said is true.

14 For this particular, particularly the second
15 condition I am suggesting here, this is for customers
16 who really don't have capital. Many of the programs we
17 have discussed in the past and that are before you in
18 other forums, the energy efficiency money that comes
19 from ratepayers pays a fraction of the total cost and
20 most of the cost comes from customer investment. The
21 problem with schools is they have no capital to invest
22 because every single dollar and more needs to go to pay
23 teachers and to just pay the facilities the way they are
24 now. They can't really invest, and the same goes with
25 municipalities in the current environment that have

1 limited capital. But they do pay regular utilities
2 every month, they are a regular payer of that, and if we
3 can positive cash flow invest for them and they can get
4 the benefits of energy efficiency without outlay of
5 capital, that would be a good solution for these two
6 particular groups.

7 COM. HATCH-MILLER: And they would be able
8 to enjoy some cost savings as well as a result of less
9 energy use.

10 MR. SCHLEGEL: Yes.

11 COM. HATCH-MILLER: I appreciate,
12 Mr. Schlegel, your coming and continuing to remind us of
13 this important thing.

14 CHMN. SPITZER: Commissioner Mundell.

15 COM. MUNDELL: Jeff, I appreciate all your
16 participation in the Commission proceedings in the
17 different dockets that you have taken the time to
18 participate in. I think Commissioner Mayes indicated in
19 our opening remarks that whenever we hold these public
20 meetings, we always learn something, and it always helps
21 me think of questions to ask when the evidentiary
22 hearings start which again start on Monday in this
23 matter.

24 So you and Valerie, the previous speaker,
25 have raised some interesting issues that I think need to

1 be asked of the applicant, of the buyers: What is their
2 position on energy efficiency; what is their position on
3 solar and wind and other sources of renewable energy;
4 what is their position on energy efficiency. So again,
5 these public comment sessions are utilized at least by
6 me and I think the other Commissioners to help formulate
7 questions when the hearings start on Monday. So again,
8 I appreciate your comments and it's given me a lot of
9 food for thought.

10 MR. SCHLEGEL: Thank you.

11 CHMN. SPITZER: Jeff, thank you, and we
12 encourage you to continue to submit your materials to us
13 in this docket.

14 MR. SCHLEGEL: Will do, Mr. Chairman. Thank
15 you.

16 CHMN. SPITZER: Thank you.

17 Gale Marsland. Gale Marsland, G-a-l-e,
18 M-a-r-s-l-a-n-d.

19 A FEMALE VOICE: She's not here right now.

20 COM. HATCH-MILLER: Why don't we put her
21 aside for a minute, come back to her.

22 CHMN. SPITZER: Dan Gregory.

23 MR. GREGORY: Dan Gregory, D-a-n,
24 G-r-e-g-o-r-y.

25 Through my employers and associations, I

1 have been familiar with the volunteerism and community
2 service community in Tucson for quite some time. I'm
3 also very familiar with the good work and had confidence
4 in the leadership that has been shown in our community
5 by UniSource and TEP.

6 I am in support of this merger. I recognize
7 and appreciate that the company needs to grow and in
8 doing so strengthen, and this merger will do just that,
9 keeping the corporate headquarters of the company in our
10 community for some time. Being here will allow it to
11 continue its history of good corporate citizenship. It
12 will allow it to continue as an enabler of
13 collaborations and as a capacity builder for
14 volunteerism in our community. With the dwindling
15 federal and state dollars, having UniSource and TEP
16 remain as one of the few local corporate headquarters in
17 our community will only serve to strengthen and build
18 our community through their support of dollars and
19 people power, something that will only become more
20 necessary in the coming years.

21 Thank you.

22 CHMN. SPITZER: Thank you.

23 Commissioner Mayes.

24 COM. MAYES: Mr. Gregory, thank you very
25 much for coming and indicating your support of the

1 merger.

2 It's interesting, we've heard from a lot of
3 folks in a lot of different communities like you who are
4 involved in the volunteer activities and nonprofits and
5 who have said exactly what you said. My question to you
6 is we know the people are saying UniSource has been a
7 good community partner, but doesn't that argue for
8 taking a very, very close look at this and making some
9 serious demands of these potential buyers about keeping
10 that commitment? I mean, what in this, what have you
11 seen in the proposal that gives you real comfort that
12 that commitment would remain past five years from now or
13 seven years from now?

14 MR. GREGORY: I guess personally, I'm
15 relying on the experience and the confidence that I have
16 in the current management and leadership, and I guess
17 I'm taking it as a best case scenario. It's a naive way
18 of looking at it, but --

19 COM. MAYES: No, no, it's a fine way. I
20 certainly understand wanting to believe that, but, you
21 know, the company has said that its investment window is
22 seven years and that it has promised to keep current
23 management for five years. What happens after five
24 years? That's not that far away.

25 MR. GREGORY: And I also look at it, too, as

1 maybe at this time a best case scenario. Maybe if the
2 merger didn't happen, they could be acquired in two
3 years and have their headquarters moved to Chicago.
4 They're one of the few companies in Tucson and in
5 southern Arizona where decisions are made locally. That
6 puts us at very much a disadvantage even to 100 miles up
7 the road to nonprofits in the service community in
8 Phoenix.

9 CHMN. SPITZER: Thank you. Very good.
10 Commissioner Gleason, then Commissioner
11 Hatch-Miller.

12 COM. GLEASON: Yes, we've gone through this
13 scenario several times, but a couple of questions.
14 Would you agree with me that the decision making for
15 money going to the charities and nonprofits is a
16 management decision? In other words, that's
17 stockholder money. So would you agree that it's the
18 management, the type of management that does that?

19 MR. GREGORY: I would agree with that.

20 COM. GLEASON: Okay. And then part of this
21 merger is that management says they will stay. In other
22 words, management says they will stay for five years.
23 Management says they will reinvest. So at least I think
24 your point is well taken that maybe we better take the
25 five years because a company that's -- I make two

1 points. A company the size of UniSource is probably
2 going to be merged, gobbled up, something, down the
3 line. That's just the way these things go.

4 MR. GREGORY: Right.

5 COM. GLEASON: And I also think that you've
6 had terrific management in this company. I think this
7 is a company, they took a company that was on the verge
8 of bankruptcy and made it a very, very good company.
9 Now, when you get guys like that in management, they can
10 go out and get another job someplace in ten days and
11 probably a better salary.

12 So the consensus is I think your point is
13 well taken. Maybe we, one of the advantages that this
14 thing has is that we keep -- now, I say this is one of
15 the advantages. We have a lot of things to look at
16 here, but one of the advantages is we have a chance of
17 keeping them. Is that --

18 MR. GREGORY: I think I see it as an
19 advantage to be able to keep them. And again, all I can
20 base it on is my personal experience and history with
21 the management and leadership that is in place now --

22 COM. GLEASON: Thank you.

23 MR. GREGORY: -- and my confidence in them.

24 CHMN. SPITZER: Thank you.

25 Commissioner Hatch-Miller.

1 COM. HATCH-MILLER: Thank you, Mr. Gregory,
2 hi. I appreciate you coming forward, and you're
3 representing a dilemma that we face and that is that we,
4 I like hometown companies. I like what UniSource has
5 done in this community and elsewhere, and I am pleased
6 by the community involvement that they have shown. I
7 called them up and they helped me find \$100,000 for low
8 income folks around the state so they could help pay for
9 some of the natural gas bills last winter. But I also
10 want to be assured that that's not going to go backwards
11 as we go forth. And I want to make sure that the
12 community involvement continues.

13 And you bring up a good point. You say,
14 "Well, they could be gobbled up in two years by," I
15 don't know who, PG&E, Southern California Edison. I
16 don't know who is in the marketplace to buy up power
17 companies. But there's no guarantee that that won't
18 happen anyway. And as I understand it, there is no
19 guarantee in this contract that says this company won't
20 be sold in six days, six months, six years. And so I
21 think that, you know, what I am trying to do here is to
22 make sure as we go forward that that community
23 involvement is continuing because to me, it's a critical
24 piece of our local utilities, whether it's telephone or
25 electricity or whatever.

1 MR. GREGORY: Right.

2 COM. HATCH-MILLER: I guess that's a
3 statement, and I didn't mean it to be. Isn't that true?

4 MR. GREGORY: No, I think it is important.

5 COM. HATCH-MILLER: Thank you.

6 CHMN. SPITZER: Mr. Gregory, thank you very
7 much for coming.

8 MR. GREGORY: Thank you.

9 CHMN. SPITZER: Debbie Rich.

10 MS. RICH: D-e-b-b-i-e, R-i-c-h.

11 I am here I guess to echo the sentiments
12 that Dan just shared with you all of our endorsement of
13 the merger of Tucson Electric Power Company, UniSource.
14 I believe that UniSource as our corporate citizen in
15 Tucson, as a director of a nonprofit organization in
16 town, the company has shared its strengths with us
17 innumerable ways from volunteer support to management
18 mentoring to financial investment in resources for our
19 community's children. And I know that they are a leader
20 in our community to do that, the role model that other
21 corporate citizens look to to formulate their plans of
22 giving and sharing their resources. And I think that it
23 would be a tremendous risk to Tucson, to all the
24 citizens, particularly children in our community, to
25 lose that corporate citizenship.

1 So with that said, I think that it's
2 extremely important that we look immediately, that this
3 merger will help our community, strengthen it. Five
4 years is better than two years, and I think we need to
5 look at that, that there are no guarantees. But
6 Mr. Pignatelli's testimony stating that these
7 commitments were entered into in good faith and they
8 took them very seriously and they are binding
9 commitments, I trust that leadership because he and the
10 whole administration of TEP have led our community, and
11 I think that we have faith as citizens in them.

12 CHMN. SPITZER: Debbie, thank you.

13 MS. RICH: Sure.

14 CHMN. SPITZER: John Dougherty, and
15 Mr. Dougherty has prepared some written materials as
16 well.

17 MR. DOUGHERTY: John, J-o-h-n, Dougherty,
18 D-o-u-g-h-e-r-t-y.

19 Mr. Chairman, members of the Commission,
20 thank you for this opportunity to speak about this
21 important matter.

22 My name is John Dougherty, and I am
23 representing the Tucson Metropolitan Chamber of
24 Commerce. On behalf of the 2,200 members of the Tucson
25 Chamber, I am here to endorse and lend support to the

1 acquisition of UniSource Energy Corporation by Saguaro
2 Utility Group and the retention of local Tucson
3 leadership within TEP.

4 This evening, you may be hearing personal
5 concerns and individual gripes about this acquisition,
6 but speaking for the larger Tucson business community,
7 this acquisition should be approved by the Corporation
8 Commission and TEP should remain in the community as a
9 major contributor to our city. It is equally important
10 that TEP retain its local management and headquarters
11 here in Tucson.

12 It is almost an economic certainty that any
13 time a large firm acquires a smaller company, the major
14 decision-making authority and management is shipped
15 outside of Tucson. It benefits the business and
16 citizens of Tucson when these elements are retained
17 locally, and we have been assured this will be the case.
18 The Tucson Electric Power Company board of directors has
19 deep roots and strong ties to Tucson, and would not have
20 approved of the sale if they weren't convinced that
21 TEP's ties to Tucson would remain robust.

22 TEP doesn't just tell you they are active in
23 the community; it is a matter of record. The company is
24 a heavy investor in the greater Tucson area which is
25 demonstrated by TEP receiving one of the prestigious

1 Points of Light Awards earlier this month. TEP has
2 become the only two-time winner of this community
3 volunteer award, and was joined this year by corporate
4 honor roll companies General Electric and KPMG
5 Consulting. It is clear TEP's commitment to Tucson is
6 second to none.

7 The Tucson Metropolitan Chamber of Commerce
8 is the largest autonomous chamber of commerce in the
9 State of Arizona and proudly serves as the business
10 advocate locally and statewide. This acquisition is
11 good for business, and the Tucson Chamber is proud to
12 put its stamp of approval on it.

13 Thank you very much for your consideration.

14 CHMN. SPITZER: Thank you.

15 Commissioner Hatch-Miller.

16 COM. HATCH-MILLER: Well, again, I am trying
17 to be the voice of reason here. I appreciate your
18 coming, Mr. Dougherty, and supporting this
19 reorganization. I think we're, though, in agreement
20 that the prices that local businesses and industry have
21 to pay for electricity is really key to their success.
22 So, and the fact that the electricity being available
23 and reliable, being able to meet the increasing loads
24 that we see in Arizona, although we're not just in the
25 UniSource territory, is really critical. So I hope you

1 are also in support of us looking really closely at
2 this --

3 MR. DOUGHERTY: Absolutely.

4 COM. HATCH-MILLER: -- and not, you know,
5 making sure that every I is dotted and every T is
6 crossed and that there aren't any hidden issues that
7 remain. We want to look at the small print.

8 MR. DOUGHERTY: Absolutely, and the Tucson
9 Chamber is fully confident in the competencies of this
10 Commission.

11 COM. HATCH-MILLER: Thank you very much.

12 CHMN. SPITZER: Commissioner Mayes.

13 COM. MAYES: Hi, Mr. Dougherty.

14 Again, sort of the same question to you. I
15 appreciate your confidence in the current management,
16 but do you have the same confidence in KKR of New York
17 City?

18 MR. DOUGHERTY: I am unfamiliar with that
19 group.

20 COM. MAYES: They are the folks who want to
21 buy the company. They are the folks who would own this,
22 the company if this Commission approved it.

23 MR. DOUGHERTY: I've read the Staff
24 recommendations regarding their confidence in TEP's
25 continued commitment to the community, and they were in

1 agreement with my organization that that commitment
2 would remain undiminished.

3 COM. MAYES: Our Staff's?

4 MR. DOUGHERTY: Yes.

5 COM. MAYES: I think our Staff recommended
6 again the deal.

7 MR. DOUGHERTY: Regarding the community
8 involvement, they were confident in its continuation.

9 COM. MAYES: Okay. I guess I would just
10 point out that it wasn't until our Staff made some of
11 those, made it clear that they were concerned about
12 getting a binding commitment in any proposed sale about
13 making sure that the headquarters remain in Tucson and
14 making sure that the management remain, that the company
15 came back in its rebuttal testimony and said, "We will
16 offer to propose that language." So before the concerns
17 were raised, they weren't willing to go ahead and say,
18 "Yes, we'll put binding language in the deal." So, I
19 mean, I do think it's important that, you know, that we
20 look at the details. The devil is in the details, and
21 that is our role as regulators.

22 I appreciate you coming.

23 CHMN. SPITZER: Commissioner Mundell.

24 COM. MUNDELL: Thank you, Mr. Chairman.

25 Mr. Dougherty, I appreciate your coming

1 also.

2 Our Staff has actually taken a neutral
3 position on this particular matter, and I will just read
4 to you what they have said. "At a minimum, the adoption
5 of Staff's proposed conditions is necessary to mitigate
6 increased risks for and potential harm to the company's
7 customers. Unless Staff's conditions and changes as set
8 forth in its testimony are adopted in addition to those
9 conditions proposed by Mr. Pignatelli, Staff would
10 oppose the transaction. Even if these conditions and
11 changes are adopted, in the absence of comparable
12 benefits to customers, Staff at best would be neutral
13 regarding approval of the transaction."

14 So, you know, we're looking sort of
15 backwards at how the management has performed, and
16 everyone says they've done an admirable job, but our
17 responsibility is to look forward to see what will
18 happen to the people of Tucson and Pima County and the
19 other customers of the new company if this purchase is
20 in fact approved by purchasers from other parts of the
21 country. And so I, that's what we're, that's the
22 dilemma or that's really the issue, not whether the
23 current management has done a good job of reviving TEP
24 over the years and not whether they've contributed to
25 the community and been involved in the community but

1 what will happen, you know, once we approve, if we
2 approve this acquisition, sort of out of sight, out of
3 mind. And the other adage would be trust but verify.
4 We have heard all the promises, but we need to make sure
5 all the conditions are in any agreement.

6 And then the question as I said when I made
7 my opening remarks this evening is what is, what are or
8 what is the benefit to the customers, whether they be
9 residential customers or business customers if in fact
10 this matter is approved and why is it in the public
11 interest. So these are tough public policy issues that
12 we have to grapple with.

13 But I just want to make sure the record is
14 clear here, there's not, you know, total unanimous
15 agreement by folks that are participating. In fact, as
16 I recall, RUCO has come out against this particular
17 acquisition, Residential Utility Consumer Office. So
18 there is a wide variety of opinion on what this
19 Commission should do, and the hearing has not even
20 started yet, but it will start on Monday. And the
21 Chairman explained how the process works in great
22 detail, but the hearing is like a trial. The witnesses
23 will be put under oath, cross-examined, books and
24 records have been subpoenaed. Interrogatories, what are
25 called data requests here at the Commission have been

1 sent out. So this issue will be closely scrutinized,
2 and we'll make obviously the final decision, but I think
3 it's important for all those things to be out on the
4 table so everyone sort of has what the big picture is
5 here.

6 MR. DOUGHERTY: Commissioner Mundell, thank
7 you very much for that clarification, and certainly our
8 organization will be watching the proceedings very
9 closely.

10 COM. MUNDELL: We appreciate, I and my
11 fellow Commissioners appreciate your participation in
12 the process. But there are a lot of, like I said, this
13 is a case of first impression, a private investor, you
14 know, organization, entity, LLC wanting to purchase a
15 publicly-owned utility. There has been other
16 acquisitions of smaller scale in Ohio and with a
17 transmission system in Michigan, but a total buyout,
18 there is another application pending in another state.
19 So as I said this morning, we had a Procedural
20 Conference on this matter, we need to go slow and we
21 need to make sure that whatever decision we make is the
22 correct one and protects the public.

23 CHMN. SPITZER: Thank you, Mr. Dougherty.
24 We always appreciate hearing from you.

25 I would just add, John, that, and it's good

1 to hear from the business community and nonprofit
2 community, and that's a testament to the credibility of
3 the existing management team. However, the board of
4 directors of this company or any public company would
5 not accept a stock offer at a discount to the trading
6 price, nor would it be likely to accept an asset offer
7 at a discount to book. So every transaction is going to
8 have some premium attached to it.

9 There has been pointed out there are good
10 transactions and bad transactions. Some transactions
11 start out good and go south, and others that are
12 questioned initially turn out to be very good. And our
13 job is without benefit of hindsight to do the best we
14 can examining the evidence to get the best deal for all
15 the people of southern Arizona.

16 You know, there's a big gorilla sitting at
17 the table here that we are not talking about, and that
18 is if the Public Utility Holding Act is repealed, you
19 could have a situation -- which passed, I believe that
20 passed the United States Senate, and in the
21 conflagration that was with the energy bill last
22 December went down, but it is still out there, and there
23 are arguments on both sides. You could have a company
24 like Exxon Mobil buy UniSource and move every stick of
25 furniture to Houston. That could happen, regardless of

1 how we proceed with this case. That's a frustrating
2 element, but it's still important.

3 So I think you understand, we're not, the
4 five of us expressing concerns on both sides are not
5 being ambulate here of indecision. There are certain
6 times when you cross the Rubicon, and you have
7 irreversible result, and this may be one of them. And I
8 think, again, just to say in another way what all of my
9 colleagues have said, we intend to look very carefully
10 and do the right thing for the company and the right
11 thing for the people of southern Arizona.

12 MR. DOUGHERTY: Certainly.

13 CHMN. SPITZER: Thank you.

14 Fred Chaffee.

15 MR. CHAFFEE: Chaffee, F-r-e-d,
16 C-h-a-f-f-e-e.

17 I want to thank you for the opportunity to
18 speak on behalf of the work that Tucson Electric Power
19 and UniSource is doing. I'm the President and CEO of a
20 very old Arizona agency that serves children and
21 families who have been around since 1912. Last year, we
22 served 36,000 children and families. And while I stand
23 here and talk to you from Tucson, we are in every nook
24 and cranny in the state. In fact, Commissioner Mayes,
25 we will benefit from the bed race tomorrow in your city

1 of Prescott.

2 As such, I want to talk from the perspective
3 of two things. One is our experience obviously with TEP
4 as a great corporate citizen who has given our agency
5 over the years hundreds of thousands of dollars worth of
6 time and energy and ways of doing things, sometimes
7 checks. Sometimes workers coming out to the different
8 facilities that we run and do things and volunteer with
9 kids that give kids a great message that they're
10 interested in them because they are kids and those kids
11 then have worth.

12 But I also want to speak as someone who is
13 statewide who these days like many of you spend most of
14 my time in Maricopa County because Maricopa County is
15 where our major growth is and have seen a lot of
16 corporate headquarters leave our state and have felt the
17 kind of falling off of local control and resources. We
18 can't go to Chicago and ask with the same degree of
19 comfort that we can go to Mr. Pignatelli or someone else
20 here. You know, we started in 1912 and Valley National
21 Bank was around, and now we are going to rename BOB
22 something, Chase Morgan or whatever. And I recognize
23 that you represent all of us as consumers, and I applaud
24 the kind of deliberate way that you are looking at this
25 and looking at it not from one side or another but with

1 the mind set of what's best for Arizona and its citizens
2 and recognize that you have an evidentiary hearing
3 coming up.

4 But I just wanted to say from my
5 perspective, the kind of wonderful support we have had
6 here in southern Arizona we now experience in Prescott,
7 and from the same company, UniSource. And we've begun
8 to experience in Mohave County, and we're in Havasu, and
9 we're in Bullhead City, and the kinds of work that
10 happen with good corporate citizenship has meant an
11 awful lot to our organization and an awful lot to the
12 children and families we serve. So from the perspective
13 of a charity that has been around an awful long time and
14 a charity that recognizes that our state like many
15 states has lost a lot of good corporate citizens because
16 headquarters have moved somewhere else, I want to put
17 our voice in towards supporting this process.

18 Thank you.

19 CHMN. SPITZER: Commissioner Hatch-Miller.

20 COM. HATCH-MILLER: Thank you, Mr. Chairman,
21 Mr. Chaffee. It's okay to say the name of your
22 organization.

23 MR. CHAFFEE: Arizona Children's
24 Association.

25 COM. HATCH-MILLER: Arizona Children's

1 Association. Thank you for coming here. I hadn't heard
2 you saying it.

3 MR. CHAFFEE: I'm glad you did. It helps
4 with the brand.

5 COM. HATCH-MILLER: Right. You're out
6 championing it. That's great you are here tonight.

7 CHMN. SPITZER: Will Creamer.

8 MR. CREAMER: W-i-l-l, C-r-e-a-m-e-r.

9 I am the director of a program called Reach
10 Out and Read Southern Arizona. We're responsible for
11 getting books to pediatricians who give them to children
12 zero to six years old.

13 I am in favor of this because TEP has always
14 as has been expressed by numerous speakers as a good
15 public citizen supports our efforts. I run the
16 nonprofit out of my home, and I appreciate a variety of
17 activities they've sponsored that introduces me to other
18 people who are doing public nonprofit work, as well as
19 the United Way. So I want to support that because I
20 think it's in the interest of the community to keep the
21 management of the company here to continue to support
22 small business people like myself.

23 Thank you.

24 CHMN. SPITZER: Thank you.

25 Commissioner Hatch-Miller.

1 COM. HATCH-MILLER: Thanks. I get to do
2 this each time. It's so fun.

3 Mr. Creamer.

4 MR. CREAMER: Yes.

5 COM. HATCH-MILLER: I was very fortunate to
6 have dinner with one of the heads of Reading is
7 Fundamental in Washington, D.C. a couple weeks ago. I
8 would love to connect you to him if that would help. I
9 am very excited about what you are doing, not only for
10 being here tonight, but those of you coming in here that
11 provide the work within the community is just a great
12 asset.

13 Thank you.

14 MR. CREAMER: RIF is a good friend of ours
15 as well. Thank you.

16 CHMN. SPITZER: Al Sterman.

17 MR. STERMAN: Commissioners, if anybody
18 hasn't said so, welcome to Tucson.

19 CHMN. SPITZER: Thank you.

20 MR. STERMAN: We're glad you're here. We
21 don't see you often enough, I think, as we travel that
22 125 mile place into Phoenix.

23 First of all, I want, I've read most of the
24 testimony, I've read the rebuttals and the surrebuttals,
25 and I want to commend the Staff and support the Staff in

1 its recommendations. I think they're on target. I
2 think they're still grappling with a number of other
3 issues as you are and as you have indicated this evening
4 the kind of issues that we have to grapple with.

5 The concerns that I have right now have not
6 been adequately addressed. I'm not sure they can be
7 because they're almost future in nature. The
8 prospective buyers of UniSource Energy and TEP are
9 investors, and therefore must be concerned with their
10 bottom line, the value of the company today and what the
11 value of the company will be when they are prepared to
12 sell it. The buyers say they are long-term investors
13 and over the years have bought and sold companies after
14 holding them for about seven or eight or maybe ten
15 years. Utilities historically are 20, 30, 40, 50
16 year-old entities. Their investments go that far out.
17 They do not go 7, 8, or 9 years.

18 CHMN. SPITZER: Al, if I may, I always enjoy
19 your testimony, and I'm not saying I disagree with your
20 premise, but isn't it true that the current holdings,
21 the current stock ownership of UniSource is 80 percent
22 institutional out-of-state investors, some of whom are
23 hedge funds, who have time horizons of two hours?
24 Isn't that the world, I mean, whether we like it or not,
25 isn't that the world we are in now?

1 MR. STERMAN: That may be true, and it all
2 depends what kind of investor they are and what kind of
3 influence those particular investors have on the local
4 management and the local company. Can they come into
5 Tucson as a hedge fund and say, "You do this, you do
6 that, or you're out," and under the present conditions,
7 they can't do that. And that's, under the new
8 condition, the investors own the company and can do what
9 they want, when they want, despite the fact that they
10 may say they'll do certain things.

11 The investors are ready to pay a 30 percent
12 premium over the current stock. Therefore, upon sale of
13 UniSource, they would have to grow the company and its
14 profit at least that much to recoup their investment,
15 and that is not counting any money they will be putting
16 into UniSource, so that they would have to really grow
17 the company, perhaps 30, 40, 50 percent, and is that
18 reasonable in this economy and in this economic factor
19 by 2008 or 2011 when they say they are ready to go and
20 sell the company to some other investors. What happens
21 if these projections that they have to grow this company
22 fall short? Who picks up the difference?

23 Today UniSource if not locally owned is
24 locally managed and has a stake in the community and are
25 considered good neighbors. While they have pledged to

1 continue and expand community giving and good works,
2 this may not hold true when the new owners decide to
3 sell. Today, UniSource has a direct and distinct
4 presence in this community and many other areas in the
5 state, i.e., Flagstaff, Kingman, Nogales, others. There
6 is a good and direct communication between the company
7 and the communities they serve. If the sale is to a
8 large national or multinational energy or multifaceted
9 corporation, what happens to the relationship between
10 and among the stakeholders? Are we to be an office in
11 Florida, New York, London, or even Zurich? And all
12 that is looked at is how much revenue can be produced
13 for their noncustodial parent.

14 I would like to reference for a minute
15 Mr. Scott's rebuttal statement on page 2 of the
16 statement of May 25, 2004. "KKR and its facilities --"

17 COM. MUNDELL: Al, say that again, please,
18 the reference.

19 MR. STERMAN: Reference is page 2 of
20 Mr. Scott Stuart's statement of May 25, 2004 in his
21 rebuttal statement. "Our mission is to create
22 substantial value over a long period, seven years, eight
23 years. The average time of affiliated fund-owned
24 company is about eight years. Some have exceeded ten.
25 We take a long-term view of the company's performance."

1 While I have no qualms concerning that as a
2 purely business statement, I must differ as to the
3 companies such as UniSource Energy and TEP within the
4 corporate structure. While TEP is a business and is
5 also as we know a utility and serves its communities
6 with the commodities that are unique in our society, it
7 is one of the few truly necessary in our economic system
8 and can't be treated as cars, toasters, or TV cable or
9 something else. This Commission when it acts must
10 insure that over the horizon a stable, reliable, and
11 affordable source of electricity is available to all.

12 Thank you very much.

13 CHMN. SPITZER: Al, thank you, as always.
14 Very articulate. Thank you. We encourage you to
15 continue to participate.

16 Carolyn Smith.

17 MS. SMITH: Good evening. It's Carolyn,
18 C-a-r-o-l-y-n, Smith, S-m-i-t-h.

19 I will actually be reiterating a lot of what
20 my colleagues in the nonprofit sector have said. I
21 represent the American Cancer Society, and we have
22 benefited greatly in the past from our strong
23 relationship with TEP. They have provided us with
24 thousands of scholarship dollars and grant money which
25 we know is sometimes shrinking in the community. It's

1 hard to keep digging into a pot when there's so many
2 people who are picking and choosing amongst the
3 charities and there are so many of us here locally, I
4 believe almost 4,000. They have also provided hundreds
5 of volunteers and participants for our events and been a
6 very strong community partner with us as a health
7 organization. We hope to continue the tradition of
8 supporting one another and we look forward to a future
9 with TEP as a local entity. Their presence as a leader
10 in the community sets an example of community caring and
11 reflects the tremendous generosity of Tucson's business
12 community.

13 Also as a customer, we support the
14 acquisition, and we hope there is no negative impact as
15 a result of the buyout.

16 Thank you very much.

17 CHMN. SPITZER: Commissioner Hatch-Miller.

18 COM. HATCH-MILLER: Thank you, Mr. Chairman.

19 I would assume you have had a chance to sit
20 down and talk to UniSource at some point in time about
21 the future of their involvement with the community as
22 far as the not for profits?

23 MS. SMITH: Yes, we are in touch with their
24 communities relations director, Sharon Fultz.

25 COM. HATCH-MILLER: Help me out in terms of

1 some of the conversations you have had. What are you
2 being told? Hearsay is okay; this is an Open Meeting.

3 MS. SMITH: Obviously everything we have
4 been told has been published.

5 COM. HATCH-MILLER: Right, but you have been
6 asking questions I'm sure yourself. A lot of times, the
7 reason people come to a meeting like this in support of
8 something is they have had a chance to talk to the
9 company and ask their questions and have been I would
10 assume reassured.

11 MS. SMITH: We have been reassured. There
12 haven't been that many questions to date. I anticipate
13 there could be in the future, and I hope they will
14 provide answers to their community partners including
15 the nonprofits.

16 COM. HATCH-MILLER: But I assume you would
17 ask the question are you going to continue to be
18 supporting the American Cancer Society in Tucson.

19 MS. SMITH: Not directly, no. We haven't
20 asked that question, but we base our trust in their
21 current leadership as others have said and the fact they
22 have been such a strong community partner and we have no
23 reason to doubt that will change.

24 COM. HATCH-MILLER: And again, I am not
25 trying to challenge you in any way. I am trying to

1 understand. It doesn't come from actual questions you
2 were able to ask and achieve someone's statement to you
3 saying, "Yes, we will continue to be with you." What
4 you are saying is it's based upon the fact that over the
5 past years, they have been right there beside you.

6 MS. SMITH: Exactly.

7 COM. HATCH-MILLER: Okay. That's kind of
8 like my wife. I don't ask her, "Are you going to be
9 here tomorrow?"

10 MS. SMITH: You just hope she will?

11 COM. HATCH-MILLER: Well, no, I -- is there
12 any blushing?

13 COM. MUNDELL: There's a court reporter
14 here, Jeff.

15 MS. SMITH: I'm sorry. I didn't mean to
16 embarrass you.

17 COM. HATCH-MILLER: No. I assume based upon
18 our relationship from the past that she will be. There
19 isn't any reason for me not to.

20 CHMN. SPITZER: The Chairman is reluctant to
21 stop Commissioner Hatch-Miller.

22 COM. MUNDELL: He is digging himself a hole.

23 COM. HATCH-MILLER: I will stop there.

24 MS. SMITH: We understand there are no
25 guarantees going forward. We just hope and continue to

1 have faith in Jim Pignatelli and the leaders at TEP.

2 COM. HATCH-MILLER: Thank you very much.

3 CHMN. SPITZER: Vlad Slomberg. Is that
4 correct?

5 MR. SLOMBERG: Yes, it's Vladimir,
6 V-l-a-d-i-m-i-r, Slomberg, S-l-o-m-b-e-r-g.

7 Thanks for holding the hearing here, and I
8 have something typed up, but I have to correct some of
9 that, but I can do that before the next meeting.

10 CHMN. SPITZER: Mr. Slomberg, you may feel
11 free to send that to the Commission or to my attention
12 or all Commissioners as you wish, and we will have that
13 document entered into the docket in this case.

14 MR. SLOMBERG: What I was going to do, I
15 just typed this up today and I have to rewrite some of
16 it for you. Is that all right? I can bring it Monday.

17 CHMN. SPITZER: You may, yes.

18 MR. SLOMBERG: Okay. The information I got
19 that I'm going to deal with here today comes from the
20 article by Connie Tuttle in the Tucson Weekly of
21 June 10th-16th, and also the direct testimony of Marylee
22 Diaz Cortez dated April 30th, 2004. And I didn't get
23 any other information that I could work from, so I am
24 here to voice my opposition to the proposed merger
25 between UniSource Energy, and I don't know how to

1 pronounce the name of it, Saguaro or Saguaro Acquisition
2 Corporation.

3 I foresee no potential benefits for the
4 customers of Tucson Electric Power from the proposed
5 merger and future problems for TEP and the homeowners
6 and small businesses who use their electric power. If
7 TEP which has been improving its debt equity ratio in
8 the last few years from 90-10 in 1996 to 74.3 over 25.7
9 at the end of last year according to Marylee Cortez, and
10 I am going by her numbers, they are on the way to
11 meeting the 60-40 standard the Corporation Commission
12 set as a target sometime back.

13 The UniSource idea of infusing enough cash
14 and also repaying over 95 million loan to bring TEP up
15 to the 60-40 ratio is their idea. However, from what
16 I'm reading, UniSource will also be increasing its own
17 debt to equity ratio. My conclusion is that the
18 financial structure of the parent company is weakened.
19 Therefore, this is a possible problem for TEP in the
20 future as its subsidiary.

21 Why do Kohlberg, Kravis, Roberts & Company,
22 J.P. Morgan Partners, and Wachovia Capital Partners want
23 to take over TEP? Is it about making windfall profit
24 or losing money? They are not in the high finance
25 business to lose money. My conclusions are based on the

1 RUCO report and testimony of Marylee Diaz Cortez from
2 where I got my information and the assumption that the
3 financial numbers and other factual information are
4 correct.

5 I am somewhat shocked by the number of
6 corporations involved in this proposed merger. I
7 counted eight, including the general partners and the
8 limited partners. According to the article by Connie
9 Tuttle in the Tucson Weekly of June 10th to 16th, a man
10 by the name of Frederick B. Rentschler will have
11 100 percent of the voting rights if this deal goes down,
12 and that is in quotes. If true, this is very odd to
13 say, at least for a utility which is a so-called natural
14 monopoly to be in virtual control of one person, if this
15 is right.

16 On page 17 of the Cortez report, it states
17 that the investors are paying approximately 68 percent
18 over book value, I've heard some other figures here
19 today, for UniSource. How will they make that up, when
20 they sell you UniSource? How, if it is already
21 overpriced, how will they make that up?

22 After looking at the quotes from Standard &
23 Poor's and Moody's that are in the report from Marylee
24 Diaz Cortez, I think that her and RUCO's conclusion that
25 the three benefits that UniSource energy claims they

1 will create, capital structure, management, company
2 location, and financial strength, TEP has evidently been
3 improving upon without a merger.

4 I see nothing from the proposed merger to
5 benefit the consumers in the Tucson area and therefore,
6 I urge the Corporation Commission to deny this
7 application. Why should the public take a risk when
8 there is no apparent benefit to it in the future? Once
9 the horse is out of the barn door, we may not be able to
10 get it back in without incredible problems and/or
11 increased rates for degraded services. The Enron
12 example should be a huge wake-up call.

13 Thanks for listening.

14 CHMN. SPITZER: Mr. Slomberg, thank you very
15 much, and we look forward to your submittal Monday and
16 any further materials you want to produce. Thank you
17 very much.

18 Les Parsons.

19 MR. PARSONS: Yes, I really didn't come
20 prepared to speak this afternoon, but, of course, I do
21 have an opinion. I truly believe that this is not in
22 the interest of Tucson area customers, and I'm thinking
23 in reference to a situation in Cleveland, Ohio. Moody
24 Electric I believe is still the company that serves
25 electric customers in that area. At that time, there

1 was a proposed takeover by, I believe it was CEI
2 Electric Company. The mayor at that time was Dennis
3 Kucinich, and he fought that issue. He defeated it, and
4 he saved the customers 200 million dollars. That's a
5 lot of money, a lot of money. And I really applaud him
6 and people like him who seriously challenge takeovers by
7 bigger companies because I don't believe they're truly
8 in the interest of the customer. They're only
9 interested in profit.

10 So I'm definitely against the merger from
11 what I've studied, and I haven't made a serious study of
12 it, but I will be, and I will be trying to follow the
13 results of these hearings that are going to take place
14 in the future.

15 I do want to thank you, all of you here
16 because I truly believe you do have the interest of the
17 customers here from what I hear from your responses. So
18 I thank you, and I hope that whatever happens, whatever
19 you decide here will be on the basis of what is good for
20 the customers of this area, and not just what is good
21 for business profit. And we know they must have some
22 profit, and it has to be fair profit. That's the way I
23 look at it.

24 So I thank you very much.

25 CHMN. SPITZER: Thank you.

1 COM. MUNDELL: Mr. Chairman, I was going to
2 tell the gentleman that I would encourage you to come on
3 Monday at 10:00 when the hearings start, if you have
4 time in your schedule. The hearings actually start on
5 Monday at 10 with opening arguments or statements by the
6 parties, then testimony will start after that.

7 MR. PARSONS: Okay. I'll plan to be here.

8 COM. HATCH-MILLER: Mr. Chairman.

9 CHMN. SPITZER: Commissioner Hatch-Miller.

10 COM. HATCH-MILLER: Mr. Parsons, you don't
11 have to get up. I had to take a quick break, but I will
12 make sure to read your transcript or listen to the tape
13 of it before Monday. I had to step out for a minute --

14 MR. PARSONS: Okay.

15 COM. HATCH-MILLER: -- but I will read what
16 you have to say.

17 MR. PARSONS: Okay.

18 CHMN. SPITZER: Steve Alley.

19 MR. ALLEY: S-t-e-v-e, A-l-l-e-y. Probably
20 one of the simpler names this evening.

21 My name is Steve Alley. I am the President
22 and CEO of the Community Foundation For Southern
23 Arizona, another nonprofit. And while a lot of folks
24 here tonight have talked about the commitment from a
25 monetary standpoint that TEP has had in the nonprofit

1 community, I certainly applaud that. I think it's been
2 fortunate for our community and I hope it will continue
3 to be through this acquisition.

4 I really wanted to focus more on what we in
5 town are as an organization which is really TEP's
6 leadership role, and I think the importance of having
7 their local presence here to be leaders on a variety of
8 community issues which I think will happen, will
9 continue to happen as a result of this.

10 TEP's support also goes beyond just the
11 dollars but to also support for voluntary efforts of
12 their employees, and being able to help those kinds of
13 things continue I think will be an important part of
14 this. But they've also provided educational support for
15 nonprofit employees, so there is a lot of nonprofits
16 that have benefited beyond simple grants to help them do
17 what they need to do, but in helping them to be better
18 at what they're doing.

19 I think one of the other significant areas
20 in terms of leadership that they have helped us
21 particularly on is working with nonprofits on
22 collaboration, and I am trying to help the nonprofit
23 community itself be more efficient and to build its own
24 capacity. I think it would be very difficult if
25 leadership of the company were located elsewhere for

1 those kinds of things to happen at the level they have.
2 I don't pretend to understand all of the nuances of this
3 acquisition, but I do know from what I have heard and
4 from what I have talked with folks at TEP about that
5 they are committed and remain committed to this
6 community beyond when this acquisition would be
7 approved.

8 Thank you.

9 CHMN. SPITZER: Commissioner Mayes.

10 COM. MAYES: Thank you, Mr. Chairman.

11 Mr. Alley, thanks for coming and offering
12 your input.

13 Sort of taking, backing off the line of
14 questioning by Commissioner Hatch-Miller with someone
15 else, I would like to ask you, have you had
16 conversations, I'm hearing echoes throughout the folks
17 who are coming up here of people saying that they
18 believe this is the best chance to keep local management
19 here. Has local management been telling folks in the
20 community that if they, if the company doesn't get sold,
21 it is more likely that they would go away or that the
22 company would be, the headquarters would move someplace
23 else or that it would be sold to somebody else? I
24 mean, are you being told by the company that this is the
25 best chance for them to stay here?

1 MR. ALLEY: I think in just exploring the
2 alternatives of what is possible, I think if you look at
3 the industry, just from my own knowledge of the industry
4 and to see what has happened around the country, I think
5 you can't help, and not just within this industry but in
6 other industries as well, you can't help but assume that
7 at some point down the line that this is going to
8 happen.

9 COM. MAYES: And certainly that's an
10 argument that could be made. But have you been, have
11 you had conversations with the leadership of UniSource
12 in which they have told you that they believe this is
13 their best chance for staying here?

14 MR. ALLEY: I, yes, I believe that, yes.

15 COM. MAYES: That's being told to people
16 like you?

17 MR. ALLEY: Yes. I wouldn't, I've not
18 talked with Mr. Pignatelli about it, but certainly it's
19 one of the things, and I think it's talked about in
20 terms of the options that exist for the company down the
21 line as well. If not this, then is there something else
22 out there that could possibly happen for it. And that's
23 one of the scenarios.

24 COM. MAYES: Thank you.

25 CHMN. SPITZER: Mr. Alley, thank you very

1 much.

2 Patrick Zumbusch.

3 MR. ZUMBUSCH: Patrick, P-a-t-r-i-c-k,
4 Z-u-m-b-u-s-c-h.

5 Thank you for letting me address you,
6 Commissioners. I'm with the Community Food Bank which
7 serves Pima County which is much of the same service
8 territory that TEP has.

9 I'd like to make a few comments, both from a
10 for profit and nonprofit side. I've only been in the
11 electric, or in the nonprofit world for a year, just
12 past that. Prior to that, I was in the corporate world,
13 was with an entrepreneurial company that sold actually
14 to electric power companies. So 90 of the top 115
15 electric power companies in this country were my
16 customers, and 8 of the 10 largest in the world. So I
17 have an unusual perspective probably from both, and I
18 will try to share some of that with you if I can.

19 Number one, from the for profit side, the
20 Community Food Bank feeds people who are economically
21 distressed. Two percent might be physically distressed,
22 a percentage might be emotionally distressed, but I
23 think economically would be the number one reason they
24 come to us to get food for their families.

25 Given that, we need help from all sectors.

1 In our case, we get some from the government and so on,
2 but it is a big deal to get it from a local partner.
3 TEP probably gets hit on by tons of organizations. We
4 are one of them. But they do supply more support for us
5 than probably most corporate entities because they're
6 local. And I don't know that I would have the same
7 success even in your good City of Phoenix, in fact,
8 haven't had that great of success because you stay
9 closer to your local organizations.

10 They do provide direct dollar assistance as
11 was mentioned by Mr. Alley from the Foundation. They do
12 supply education assistance from employees. They
13 actually provide us certain in-kind things that are a
14 little unique, compost, dirt, so that we might haul and
15 create gardens for the people, and they provide backhoes
16 so we can dig those gardens. Those are types of
17 resources we wouldn't have, and I would like to see
18 those stay in place.

19 There's what I call L and A, legs and arms,
20 the volunteer side that goes on. It was also mentioned
21 by Steve, this collaborative effort that they do for
22 these, these forced leads for nonprofits, they
23 collaborate and do a good job on that. And besides
24 food, there is low income energy assistance programs.
25 In an economically distressed household, whoever can

1 help that economic stress is a partner of ours, even
2 though not a part of the food banks.

3 From the for profit side, I will just
4 observe that I think if you go back 30 years ago when my
5 parents were young, if you invested in something safe,
6 if you were going to invest in something safe, you would
7 invest in a utility. My background is economics, so I
8 have studied that probably a little bit. I found it
9 highly unusual that in this last ten years that that has
10 gone from being the safest to the riskiest investment in
11 many places. That has been quite a tumultuous change,
12 and I think the whole idea of stability in the industry
13 is important. But I can tell you acquisitions go on all
14 around the world. AEP is a big player if you know the
15 midwest at all, bought Mississippi Power, Alabama Power.
16 When those acquisitions occur, what used to be in
17 Shreveport is no longer in Shreveport. It is in
18 Columbus, Ohio, and all decisions are made there. So I
19 do worry about those types of things.

20 I think you have a hard job. I'm glad I'm
21 not in your chair. From my side, KK&R is not a
22 philanthropic organization. They are there to make
23 money; that is what they do. And I think if we don't
24 look at it that way, we cheat ourselves on both sides.
25 But they have made certain commitments, and I think some

1 of that is important. But from my side, it all boils
2 down to partnerships, and partnerships don't exist
3 unless you have relationships. And if those
4 relationships get a lot of miles in between them, I
5 think things go downhill, so I am concerned about that.

6 Overall, I would recommend, if I had my
7 preference, that they stay private, they just be here
8 and stay just as they are. That would be selfish, but
9 that is what I would like.

10 Given the alternatives, as I look at it with
11 my economic background, rather than someone else
12 gobbling them up out of Columbus, if they are an
13 attractive asset-based entity, I would rather it be an
14 investor group saying, "I will leave these people here.
15 I don't run another utility that I can merge them all
16 together."

17 I think your tougher decision might be on
18 what happens in five years, frankly. And with that
19 said, so to speak, I would ask that, and I think there
20 are some assurances, I have not read all the opinions
21 and documents, but that prorata contributions stay at
22 the same level to this community. I think in the scheme
23 of the dollars that might be able to be afforded. I
24 haven't looked at it, but that would be good. As the
25 community grows, I would like to see that grow, rather

1 than picking an absolute dollar amount looking at the
2 hard and soft dollar amounts I talked about.

3 The low energy assistance programs, I can
4 speak to that, that doesn't benefit me. Otherwise, I
5 would have to call that out as a conflict of interest to
6 the extent it did exist. But helping the low income
7 houses, they have been good about that. I would hope
8 there would be some assurances about that.

9 The last thing, something to think about the
10 future that has been mentioned by private individuals,
11 if there is an investment and there are some rewards
12 that are reaped at some point, you might say what we
13 will do is have some type of fund set aside that has the
14 same type of foundation type of assets created from the
15 current level of contributions to make its return on
16 investment. If this level exists now and there is a
17 30 percent return after some number of years, there
18 might be a fund that has that 30 percent return in it
19 that can stay in this community, not being able to
20 dictate what the future may hold.

21 Those are my comments. Thank you for
22 letting me address you.

23 CHMN. SPITZER: Very well said. Thank you.

24 COM. HATCH-MILLER: It was well said Mr., is
25 it Zumbusch?

1 MR. ZUMBUSCH: Zumbusch.

2 COM. HATCH-MILLER: Mr. Zumbusch, it is a
3 delight.

4 Is Wal-Mart a help to you?

5 MR. ZUMBUSCH: No, sir.

6 COM. HATCH-MILLER: Not at all?

7 MR. ZUMBUSCH: I wouldn't say some of their
8 people aren't volunteers, but --

9 COM. HATCH-MILLER: Not that great a
10 corporate citizen?

11 MR. ZUMBUSCH: No.

12 COM. HATCH-MILLER: Can you think of any of
13 the out-of-state controlled --

14 MR. ZUMBUSCH: Wells Fargo is out of state
15 controlled; they are a help. Bank One is a help.
16 Ratheon is out of state controlled; they are a help. So
17 I wouldn't say that just because you are out of state
18 you're not a help, but it is a lot easier for me to grab
19 someone with decision-making authority in a local
20 community than someone that's probably further away.

21 COM. HATCH-MILLER: When one is further
22 away, what do you think makes a difference that allows
23 Wells Fargo versus Wal-Mart to be a better corporate
24 citizen?

25 MR. ZUMBUSCH: I did refer to relationships,

1 and though that's a very soft term, I think when you are
2 in a community of a certain size, whether that's that
3 small community in Cleveland or others that were
4 referred to, I am from a small town in Minnesota, and
5 that is a local municipal utility. You know who runs
6 that utility. You can call on that person. You can
7 call on them at 5 in the morning if you want to secure
8 his wrath, but you could still do that. I think that's
9 harder to do with Wal-Mart or something when it is
10 further away.

11 That is why, and I have told TEP, I had
12 asked questions as Commissioner Mayes had asked did I
13 ask any direct questions or have any been posed, and I
14 have posed them. That is why I can speak to it. If the
15 management team wasn't going to hang around, I don't
16 think I could get up and talk about good things. I am
17 going to talk honestly about what I feel, and those are
18 the commitments that have been given back to me.

19 COM. HATCH-MILLER: So you have been
20 reassured that support would continue?

21 MR. ZUMBUSCH: Yes.

22 COM. HATCH-MILLER: That management would
23 continue?

24 MR. ZUMBUSCH: Yes.

25 COM. HATCH-MILLER: Thank you.

1 CHMN. SPITZER: Commissioner Mayes.

2 COM. MAYES: Thank you for coming forward,
3 and sort of to the point about learning something new,
4 your proposal or your thoughts about -- let me get this
5 straight. The 30 percent, your idea is if they make a
6 30 percent return on their investment, you would propose
7 a concomitant increase in their charitable giving?

8 MR. ZUMBUSCH: Just a thought.

9 MS. MAYES: Okay. That's interesting.
10 Thank you.

11 MR. ZUMBUSCH: If you're a real community
12 partner and everybody should share in it, I think you
13 could put a little meat to that.

14 COM. MAYES: Okay. I appreciate your
15 thoughtful analysis. Obviously, you have given it a lot
16 of thought, and you see both the up and down side of it.

17 MR. ZUMBUSCH: Tried to.

18 COM. MUNDELL: I don't know, it may not be a
19 question, but I, too, appreciate your expertise both in
20 the private sector and where you are now. And the
21 dilemma as we've talked about is I think you alluded to
22 it a little bit, but I don't know if you can see this.
23 The current flow chart, Mr. Pignatelli is up here, he is
24 sort of the big cheese, okay? Under the new flow chart
25 with the new companies, you're going to have KKR,

1 J.P. Morgan, they're up here. They're down here now,
2 Mr. Pignatelli and the management team.

3 So the question is, at least from my
4 perspective, I think it's important that they remain in
5 Tucson, but really, you know, I think you alluded to it,
6 this is a private entity investing their private money,
7 and whether the management team is here in Tucson or
8 someplace else, the communication is important because
9 they're here, but these guys are going to be calling the
10 shots up here. It's their private money, they are in
11 New York City, back in North Carolina, et cetera,
12 et cetera. So whether or not the local management team
13 is here or not, you know, let's not be naive here to
14 think that these decisions aren't going to be made on
15 Wall Street, you know, with KKR and Wachovia and
16 J.P. Morgan and the other limited partners.

17 So I think it's a tough public policy issue,
18 and I appreciate your candor when you said your
19 preference would be that they remain the way they are
20 now. And I think it's important at least from my
21 perspective to put on the record, you know, if we had
22 some future application in front of us, we would have
23 the same ability to keep the current management team in
24 place with the condition. And so this is, I think it's
25 important, but that in and of itself is one factor from

1 my perspective to be considered in reviewing this
2 application, because a future application could contain
3 that same condition if we had some other entity, a new
4 LLC. If we were to reject this acquisition and we had
5 this new LLC out there that came in to buy, you know,
6 UniSource, we could put some of the same conditions.
7 And I think one of the other commissioners alluded to
8 it, the conditions to continue the investment in Tucson
9 was initially verbal, and based on our Staff and other,
10 and letters to the docket by Commissioners, we are now
11 seeing that it will be in writing.

12 MR. ZUMBUSCH: I had heard that and --

13 COM. MUNDELL: It's trust but verify. It's
14 great to hear it, but we need it in writing because we
15 have seen in other matters that's important. So I think
16 it's important to put the flow chart up to see where it
17 fits together.

18 MR. ZUMBUSCH: That's why I didn't try to go
19 around the subject; I tried to go right to it. But
20 sometimes the devil you control is better than the devil
21 you don't. That's what it gets down to. The only thing
22 I would say is my bigger concern is when the boxes just
23 disappear. That's scaring me, frankly, from a community
24 side because they are such a major player in this
25 community. I mean, if we do lose that, the whole

1 community loses a great asset, and that I can represent
2 on behalf of all nonprofits.

3 COM. MUNDELL: And I appreciate your
4 comments as I said. Obviously, you have a great
5 expertise on both sides of the issue and really sort of
6 focused on the issues.

7 Thank you.

8 CHMN. SPITZER: Commissioner Gleason.

9 COM. GLEASON: Yes, you've had expertise in
10 private, both sides. My -- I come back to really the
11 question is maintenance of the headquarters here in
12 Tucson. To me, as I look at this, there's some
13 comfort -- I want you to -- this is the thing. There
14 could be some comfort in having a KKR, Wachovia type of
15 buyout here. In other words, they don't have another
16 corporate headquarters like that. But now if this
17 buyout were PGE in California, for example, then to me,
18 the chance of keeping headquarters here would be rather
19 small. Would you agree with that analysis?

20 MR. ZUMBUSCH: 98 percent. That was my,
21 again, allusion to -- and AP is a great company. They
22 were a great customer. I won't speak down to them.
23 They aren't my customer anymore, but they had to do what
24 their shareholders do. That's what they do; that's what
25 they are paid to do. I think KKR doesn't know how to

1 run a utility. From my side, that's a good thing. It
2 might even be from TEP's side, but from mine, because
3 then your comments have validity behind them because you
4 couldn't take that and absorb that elsewhere. There's a
5 likelihood when you do those types of things, and I
6 certainly can't speak from KKR's standpoint, they might
7 want to build this corporate entity. There is that
8 possibility. I don't know them other than their MO in
9 acquiring companies, but they generally try to ramp
10 them, build them. To the extent this is the focus where
11 they might do that, that might make better things for
12 this community.

13 I have tried not to allude to hopeful
14 thoughts because I don't know that would be helpful
15 here, but that could occur. They certainly would need
16 to return their investment as has been alluded to
17 because that's what they need to do. One way to do that
18 would be to try to do some of the acquisition things we
19 are talking about, but do it out of Tucson. It's up to
20 them.

21 CHMN. SPITZER: Thank you.

22 Eunice Williamson.

23 A MALE VOICE: I believe she left.

24 CHMN. SPITZER: Eunice Williamson left.

25 Sandy Napombejra.

1 MS. NAPOMBEJRA: Good evening. My name
2 is --

3 CHMN. SPITZER: I'm sorry for butchering
4 your name.

5 MS. NAPOMBEJRA: It was pretty good.

6 My name is Sandy Napombejra,
7 N-a-p-o-m-b-e-j-r-a, and Sandy with a Y. I'm the
8 executive director of the Tucson Children's Museum, and
9 as such I will use a lot of adjectives.

10 I'm here today to relate to you what a
11 fabulous community partner Tucson Electric Power Company
12 has been to the Children's Museum and the people of
13 southern Arizona. More than 60,000 children and their
14 families visit the museum annually. Of that number,
15 48 percent are Hispanic, 41 percent are Caucasian,
16 5 percent African American, four percent American
17 Indian, and 2 percent Asian American.

18 Thirty-eight percent of the children
19 attending the museum on school tours are from low income
20 families. TEP sponsors over 3,000 low income school
21 children a year coming to the museum, and they also pay
22 for the buses which no other underwriter does. If we
23 took away TEP's funding, that would end. That would be
24 our number one corporate underwriter disappearing. We
25 don't believe that's going to happen.

1 We would also like to point out TEP helped
2 us design, install, and maintain one of our major
3 exhibits, the electricity exhibit. They have just
4 agreed to help us build and install a new electricity
5 exhibit on energy conservation. Not only have they
6 provided dollars to support these projects over the
7 years but volunteers to work at the museum and technical
8 assistance on special projects.

9 I'm going to scrap the next paragraph
10 because I would like to allude to a couple of the
11 questions Commissioner Mayes brought up. One was on
12 what happens five years from now. We have no, we're not
13 assured that TEP is going to fund us next year or any
14 corporate entity or private donor is going to fund us in
15 the future. It's up to us as a nonprofit to keep
16 working with those entities to show that we are of value
17 in the community and that they want to invest in us and
18 that their stockholders want to invest in us. So when
19 you say after five years, I think it's a bit unfair to
20 require them to commit to that. I mean, I would like
21 them to, but I don't think we can.

22 I think also another thing that makes me
23 sure that we're going to keep working with TEP is our
24 children's museum has just completed a strategic plan.
25 We're going to be four times the size in five years.

1 We're going to be serving five times the number of
2 children in five years. TEP is our main corporate
3 supporter. We need them to play a role in that, and I
4 believe they will.

5 I think another thing that none of our
6 nonprofits has alluded to, as I look at a challenge of
7 the new private investors, I see them as a potential new
8 funding source for us. There is nothing stopping me
9 from using my relationships with management staff here
10 to approach those entities for private funding to help
11 support our community, and I hope that will be what
12 happens. Children's museums represent an investment in
13 our children. Tucson Electric Power Company has and we
14 believe will continue to after the merger be our partner
15 in inspiring, exciting, and challenging our children.

16 Thank you.

17 CHMN. SPITZER: Thank you very much.

18 Commissioner Hatch-Miller.

19 COM. HATCH-MILLER: Hi. Is it Miss or
20 Mrs. --

21 MS. NAPOMBEJRA: It's Mrs.

22 COM. HATCH-MILLER: -- Napombejra?

23 MS. NAPOMBEJRA: That's close.

24 COM. HATCH-MILLER: I guess of all the
25 people that have come up, you might be thought of as the

1 least disinterested because your financial future
2 depends upon the company's not only survive but their
3 continued participation.

4 MS. NAPOMBEJRA: But I can't rely on that.
5 I can't rely on assuming that TEP will be there. I need
6 to continue nurturing new corporate relationships. I
7 need to be approaching new people. TEP has never said
8 to me they're going to contribute to me in five years.
9 I hope they will. I think everybody here who is a
10 nonprofit who has developed those relationships hopes
11 they will, but I think it would be very presumptuous of
12 me to take that as a commitment that I can expect them
13 to build a new exhibit in our new building in five years
14 or four years. I hope.

15 COM. HATCH-MILLER: That's fair what you
16 said. It's kind of surprising, but it's fair what you
17 said. But I would assume as the executive director of a
18 program that is a critical provider of services to so
19 many children that you've had to be digging into this in
20 your office or with your board or with your staff to try
21 to say, "You know, what's the best shot here? What,
22 you know, which side should we come down on on this
23 issue?" I would have to assume you have done that if
24 they are your principal contributors.

25 MS. NAPOMBEJRA: I think it's a bit like

1 lobbying the government. You know, ultimately we hope
2 our elected officials make the right decisions on
3 things. I think that I hope you as Commissioners will
4 look at every angle --

5 COM. HATCH-MILLER: We will look at it
6 fully.

7 MS. NAPOMBEJRA: -- to protect our interest.
8 On the other hand, I think, I really do, I've worked,
9 I've been in the nonprofit world 25 years, and I've been
10 in this community 10 years, and I've worked all 10 of
11 those years with TEP. I've been very lucky, and I rely
12 on those people. And not that they've been calling me
13 and whatever, but I see the confidence from the
14 volunteers who are line workers or management staff, all
15 the different volunteers seem to have an enthusiasm
16 about this. And I don't think that that can be faked
17 entirely. We rely very heavily on volunteers, so we see
18 volunteers and families of TEP, not a lot, but a fair
19 amount.

20 So I believe that it's good for the
21 community, what this could be. And I also believe that
22 I'm going to be asking Mr. Pignatelli to introduce me to
23 these people so that I can get them even more committed
24 to our community. And, you know, we're not just, we
25 serve all of southern Arizona, so hopefully they'll get

1 involved with all of southern Arizona.

2 COM. HATCH-MILLER: As I said, you're far
3 from disinterested. I can assure you we are looking at
4 it thoroughly. We are not just going to look through
5 the magnifying glass; we are bringing in the
6 electromicroscope.

7 COM. MAYES: Sandy, they will be here next
8 week, if you want to meet them.

9 MS. NAPOMBEJRA: Okay, great. Thank you
10 very much.

11 CHMN. SPITZER: Thank you. And for the
12 court reporter as well as the members, what we will do
13 is take a ten-minute recess --

14 COM. HATCH-MILLER: Already?

15 CHMN. SPITZER: -- and we will reconvene at
16 ten past seven.

17 (A recess ensued.)

18 (Chairman Spitzer departs the proceedings.)

19 COM. MUNDELL: Let's go ahead and get
20 started again. I don't have a gavel or I'd bang it.

21 Commissioner Spitzer asked me to chair the
22 rest of this meeting. He just flew back from
23 Washington, D.C. He was testifying at the Senate
24 Commerce Committee before Senator McCain and is not
25 feeling real well, so I am in charge now, so we will

1 proceed accordingly.

2 Anna Jolivet.

3 MS. JOLIVET: A-n-n-a, J-o-l-i-v as in
4 Victor, e-t, and I am representing Pima Council on
5 Aging.

6 Pima Council on Aging is an organization
7 that has a major interest and responsibility in
8 providing services to older citizens in our community,
9 and we have been very pleased and fortunate with the
10 kind of support that we have gotten from TEP. They have
11 been important to us as assistants in collaborating for
12 services, bringing groups together, and just working
13 cooperatively for services to elderly.

14 One of the things that we are concerned with
15 is the cost of living for older citizens and, of course,
16 utility cost is one of the things that we look very
17 closely at, and TEP is very sensitive to the concerns
18 that we have, concerns that older citizens have, those
19 that are on the lower economic levels in terms of being
20 able to have the utility services that they need. And
21 they have assisted with that.

22 They also have been interested in developing
23 leadership and management skills among all groups within
24 the community, and PCOA has worked with them in helping
25 to facilitate that kind of planning and developing an

1 looking at fundraising because one of the things that
2 nonprofits need not only is the support and help from
3 the corporate side of the community but also help in
4 looking at ways in which they can develop funding
5 themselves and not be totally dependent on others to
6 provide that.

7 We think that it's, we support the
8 acquisition of UniSource by KKR. We are pleased that
9 the management will remain, the corporate office will
10 remain here. We have heard from Mr. Pignatelli and
11 other members of the board that they intend to continue
12 the services that they have provided over the tenure of
13 their management. And one of the things that we might,
14 that would be good to note is what is the plan at the
15 end of their tenure, what is the plan for services in
16 Tucson and the kind of corporate relationships that we
17 have had with TEP and with UniSource over the years.
18 Will that continue? Do they have some means by which
19 we can be assured maybe that they are looking at that as
20 a value to the community?

21 The volunteer services to the community we
22 hope will continue, and that's very important. We have
23 very few corporate bodies that have their management
24 here, and so it's, we certainly have an interest in
25 having that retained in Tucson.

1 One of the questions I had was what will be
2 the relationship that ACC has with the company once the
3 transition is complete.

4 COM. MAYES: Mr. Chairman, that's a question
5 that we have as well, and I note that our Staff has had,
6 and one of the conditions that the Staff has placed in
7 its testimony that it believes ought to be placed on any
8 potential sale is a condition that would say that this
9 Commission would have full oversight and authority over
10 the proposed new entity in its new form. So that's an
11 excellent question.

12 COM. MUNDELL: Your other question was
13 excellent also, sort of what is the end game, and that's
14 why I showed sort of the structure earlier. And again,
15 this isn't to be disparaging to Mr. Pignatelli or the
16 current --

17 MS. JOLIVET: It's the reality.

18 COM. MUNDELL: -- the executives of TEP and
19 UniSource. But if the people calling the shots are back
20 in New York City and Mr. Pignatelli and the current
21 executives are down here, unless there are conditions in
22 the Commission's Order, it doesn't mean anything because
23 these folks, once, if we were to approve the
24 acquisition, could say, "Oh, we changed our mind. We
25 don't really want to contribute that much." I'm just

1 talking about a big amount, not each individual entity.
2 But just use a dollar figure, if they're currently
3 giving X number of dollars, they could say, "Well, we no
4 longer want to do that. We want to give X minus ten."
5 So if there is no condition in the acquisition Order, it
6 doesn't mean anything. It has nothing to do with their
7 honesty or their good faith. It has to do with what the
8 new owners want to do with their money.

9 MS. JOLIVET: That's true.

10 COM. MUNDELL: I appreciate your questions.
11 You asked good questions and had excellent statements.
12 Thank you for coming to testify.

13 Commissioner Hatch-Miller.

14 COM. HATCH-MILLER: Thank you, Mr. Chairman.

15 Ms. Jolivet, pleasure to have you here.

16 I guess I want to reassure you in a way,
17 maybe not, because you have hopefully already been
18 reassured by our actions, but I am very involved with
19 the Alzheimer's Association, I am one of the executives
20 on the board of directors of Foundation For Senior
21 Living, and you can rest assured, I am not just
22 concerned about all the citizens in the state, but in
23 particular our older citizens.

24 MS. JOLIVET: Yes. We say if you haven't a
25 need for that now, you are aging, you will soon be

1 there, you will need us.

2 COM. HATCH-MILLER: That is why I'm
3 involved. I'm making plans.

4 COM. MUNDELL: We will all be there some
5 day.

6 If he's finished, Commissioner Gleason.

7 COM. GLEASON: Just to answer your --
8 legally, this Commission has the responsibility and the
9 same control of not only TEP and the other things, but
10 they also have control of UniSource. So this is a state
11 law, and this is what will be in place.

12 The other thing that if you read these
13 things, one of the things that we talk about on this
14 thing is ring fencing, and what they mean by ring
15 fencing is this local entity, we put restrictions around
16 that entity, a fence around it so that the KKR and the
17 others can't come down and do certain things. There's,
18 Staff has made a number of these, but for instance, KKR
19 can't come down and demand that TEP, you know, make an
20 investment in another company that KKR is interested in.
21 So this is what we're looking at this, and there's a,
22 the ring fencing becomes very important in how we keep
23 the local control, and the local control, I think this
24 is good for local management. It not only protects this
25 company, but it protects local management, you know,

1 from the other thing. The other guys are interested in
2 the finance of this and that, and so, but we want to
3 keep them out of the detailed management of this
4 company. This is the thing if they come down here next
5 week you are going to hear this word ring fencing
6 several times, and what it does, and our Staff has made
7 several conditions on this. So I think at the citizens
8 hearing next week, you will be satisfied we have put a
9 lot of thought into exactly what you are thinking.

10 COM. MUNDELL: Thank you, ma'am.

11 Marian Lupree.

12 MS. LUPREE: I really don't have any more to
13 say than Mrs. Anna Jolivet said, so in the interest of
14 moving this process along, I'll pass this evening.

15 COM. MUNDELL: Thank you very much for
16 coming.

17 I think the Chairman had called Gale
18 Marsland earlier and she wasn't here, and I have a note
19 that she may be here now. Looks like, is she? Great.

20 MS. MARSLAND: G-a-l-e M-a-r-s-l-a-n-d.
21 Thank you for coming to Tucson to listen to our
22 concerns. I'm a partner in the Rio Development Company,
23 and have been building in Tucson for about 30 years.

24 I have a personal interest in
25 sustainability, energy efficiency, and renewables that

1 spills into my professional life, and I've actually
2 lived off the grid, even though I am in Tucson, and
3 haven't partaken of TEP's power for about 15 years now.
4 So, and my house isn't a little cabin. It's actually a
5 very wonderful home that was featured in Fine Home
6 Building Magazine. So, you know, you can do that sort
7 of thing. It is possible, and I've been living it for
8 15 years.

9 COM. MUNDELL: Do you give tours?

10 MS. MARSLAND: I've had about 5,000 people
11 through my home over the years. Yes, it's been --

12 COM. MUNDELL: I won't invite myself.

13 MS. MARSLAND: Okay. Next time you guys are
14 down.

15 I would like to echo some of the people's
16 positions earlier. You are in a tough position. I
17 wouldn't want to be there. When I heard years ago that
18 the restructuring was taking place, you know, you can
19 have the worst fears and think eventually there will be
20 three utility companies in the country, and this I think
21 is going to set a precedent for how things are done. So
22 you have a really important decision to make here.

23 It's my pleasure currently to be involved in
24 developing, private developing a piece of the Rio Nuevo
25 project, and I don't know how much you know about that.

1 We are actually just doing a piece of it, and our piece
2 involves residential and mixed use buildings. Rio
3 Nuevo, we are actually sitting in Rio Nuevo right now.
4 It is a 62-acre piece in downtown. It was created with
5 some TIF funding that became available, and the goal is
6 for redevelopment and reinvigoration of downtown Tucson,
7 something that has happened in the Phoenix area but is
8 in the process here in Tucson. Those funds are only
9 available through 2008, so this project is really
10 happening from now until 2008, so we've got a really
11 short time frame that we're working in.

12 It's very exciting to be involved in this.
13 It's unprecedented in so many ways. You've never seen
14 the amount of planning that's happened in a 62-acre
15 parcel. The cooperation between private and public
16 agencies and individuals is something I've never seen
17 before. The level of innovation and trying to do new
18 things to create a new precedent for how development
19 should be done in Tucson, and one of the really exciting
20 things is on the 62-acre parcel, between now and 2008,
21 I'm totalling about \$2 billion in private and public
22 monies that will be used to redevelop this land. That's
23 probably never happened in Tucson before. Maybe in
24 Phoenix it has, but we haven't ever had a parcel that
25 has had that amount of funding in that short of a time.

1 Rio Development will be raising the bar on
2 the development that we're doing in terms of energy
3 efficiency, use of renewables, and a new piece for us
4 other than renewables being in this category,
5 distributed generation. We think this makes a lot of
6 sense. To us as business people, the economics make
7 sense, as visionaries we think this makes sense, and as
8 parents and grandparents we think this makes sense also.
9 We attach key importance in the area of energy and
10 diversity, in a balanced mix and a reliability, and just
11 as a mother with an 18-year-old son, I look at the
12 fallout of the way energy has gone crazy down paths, and
13 there's body bags coming home in my opinion over some
14 poor decisions in the way we do energy in this country.
15 And I have to take a really hard look at the big
16 picture, not just what we are doing here in Arizona, and
17 take the time to do things like this.

18 As I mentioned, distributed generation is a
19 new piece for us, but we feel confident that it will
20 work. There's a good existing example of this right
21 downtown again. The City of Tucson put in a 1.6
22 megawatt combined heating and cooling plant downtown
23 that powers the community center along with the fire and
24 police department. So if the grid goes down, they've
25 got reliable power and there is a power safe haven there

1 that continues to run our safety, our key agencies.

2 I would like to ask you to please consider
3 for the public interest in order to provide safe,
4 reasonable, and adequate services to reflect in your
5 conditions some standards for interconnection, for net
6 metering, to encourage a balanced resource portfolio,
7 and to require in the selection process criteria that
8 consider the many benefits of distributed generation are
9 included and fairly considered.

10 Thanks.

11 COM. MUNDELL: Gale, are you aware of and
12 are you participating, we have a number of dockets open
13 at the Commission to deal with expanding the renewable
14 portfolio in Arizona and we also have the energy
15 efficiency and distributed generation. In fact, we are
16 going to be in a quandary next Friday because we have a
17 workshop on renewables and also the KKR. If this matter
18 goes, flows over to Friday, we will have to try to be
19 two places at once. But I appreciate your comments, and
20 the Commission has open dockets looking at those issues
21 right now, so I don't know if you were participating.

22 MS. MARSLAND: Yes, I have in the past. I
23 have been to hearings in Phoenix.

24 COM. MUNDELL: I thought you had.

25 MS. MARSLAND: Originally when the

1 proceeding started four or five years ago, I was
2 regularly going to Phoenix. Then I got busy doing my
3 work here, so I couldn't go quite as regularly anymore.

4 COM. MUNDELL: I can speak for myself, you
5 know, the goal is to, and I said this when we originally
6 voted on the renewable portfolio, from my perspective,
7 the goal is, you know, to gradually wean our society off
8 of fossil fuels, but we are in this transition. We look
9 back historically, you know, when coal was the major
10 source in the middle ages, then steam, and I look at
11 what we are doing now as sort of a progression wherein
12 our grandchildren and great grandchildren will look back
13 and be astonished that we were using petroleum and
14 fossil fuels just like we look back at the Middle Ages.
15 So the goal is to gradually wean our society off of
16 fossil fuels and go to renewables from my perspective.

17 COM. MAYES: I would just add, Gale, I am
18 with you on that. I had asked for a workshop on
19 distributed generation a few months ago. We had that.
20 As I said earlier, I have been discussing with TEP's and
21 UniSource's upper level management the idea of taking
22 their buydown program from \$2 per watt to at least 3 or
23 \$4 per watt, so hopefully that would help your project.

24 MS. MARSLAND: Absolutely, yes.

25 COM. MUNDELL: Commissioner Hatch-Miller.

1 COM. HATCH-MILLER: I was kind of -- I'm
2 going off topic here; it's getting late.

3 I heard what you said you were doing with
4 your own house, and I am hearing the Rio Development and
5 all that you are doing there. That's very encouraging.
6 I've actually been challenging those people that come in
7 and represent the various industries such as solar or
8 wind, show me a project that is off the grid, show me a
9 project where I won't have to rely upon a generator or
10 transmission lines.

11 MS. MARS LAND: In just a couple years, you
12 will be able to see it.

13 COM. HATCH-MILLER: That is exciting to me.

14 I wonder if you have been exploring this,
15 there are non-, well, there's cooling systems that don't
16 depend very heavily upon electricity. They're heat
17 exchange systems.

18 MS. MARS LAND: Right.

19 COM. HATCH-MILLER: Are you exploring any of
20 those on a residential level?

21 MS. MARS LAND: I am not a technical person.
22 You need competent engineers, but from the meetings I
23 sit in on and can try to take a zoomed-out version, I do
24 know this, that typical generators are maybe 30,
25 35 percent efficient, but with the combined heating and

1 cooling plants where you recover a lot of the hot water
2 and use it, you can get up to 70 percent efficiency. So
3 that sounds pretty good to me.

4 COM. HATCH-MILLER: Yes. The ones we are
5 looking at actually are like heat exchangers that, I'm
6 not an engineer either, but you have to heat up some
7 kind of a medium that creates the cooling, and
8 instead --

9 MS. MARSLAND: Right. Absorption chilling
10 or something it's called.

11 COM. HATCH-MILLER: Right. Instead of
12 electricity doing that job, you use the heat of the
13 atmosphere.

14 MS. MARSLAND: Yes. We are talking about
15 creating underground storage for cold and hot water so
16 you can shape a peak.

17 COM. HATCH-MILLER: Right. And there are
18 large commercial buildings that do that and will save
19 cooling during the nighttime. The only reason I bring
20 that up is because at least 50 percent, I would say
21 probably 70 percent of the energy used in Arizona is
22 used to keep things cool.

23 MS. MARSLAND: Uh-huh.

24 COM. HATCH-MILLER: So to the degree we
25 could back away virtually 100 percent from needing

1 electricity for cooling, we could back away from the
2 need for additional generation sources. So I'm just
3 hoping you're thinking along those lines, you are
4 looking, you are the researcher and developer, that you
5 are developing those concepts and moving them forward.

6 MS. MARSLAND: Yes. We don't have much need
7 for hot water in Arizona.

8 COM. HATCH-MILLER: Did I get too far away
9 from the topic? I appreciate that.

10 COM. MUNDELL: I was very lenient, wasn't I?

11 COM. HATCH-MILLER: Yes, and I apologize.

12 COM. MUNDELL: Ellen Kurtz. Thank you very
13 much.

14 MS. KURTZ: Good evening, Commissioners, and
15 thanks for the opportunity to speak here.

16 Everyone has spoken so glowingly of TEP, and
17 rightly so. They have been a good community friend.
18 But I think people are under the illusion that this is
19 going to continue under Kohlberg, Kravis & Roberts, and
20 they are not your typical buyer. These are the people
21 that invented leveraged buyouts, and I think that people
22 do not realize with the fact that these people are
23 located several thousand miles away that they're not
24 going to be interested in all of the community efforts
25 that are here. Hopefully, I would be wrong, but they do

1 not have a history of that. They put 10 percent of
2 their money into buying, and the rest of it they get
3 from high-yield bonds from investors.

4 And a utility is not a typical business; it
5 is a necessity. Everyone, almost everyone with the
6 exception of the people that have figured out how to do
7 without going into an electric grid need electricity in
8 this day and age. And so a utility that is held by
9 shareholders has a responsibility to the shareholders,
10 but they have a responsibility to the ratepayers to keep
11 those costs affordable. And we've heard from some of
12 the people who deal with the aged and low income, and
13 rates are going so high, and I am fearful that this will
14 happen again.

15 I live in Santa Cruz County. I was not,
16 thank goodness, a Citizens Utilities user, but I think
17 the people here in Pima County do not realize what a
18 nightmare that was in Santa Cruz County when Citizens
19 had control there. There were outages almost daily.
20 People's computers were burning out, and this went on
21 and on and on. Well, Citizens Utilities is a
22 privately-held company who has gotten out of the
23 utilities business, but this was their history all over
24 the country.

25 Well, it looks to me like we're jumping from

1 the frying pan into the fire if this were allowed to
2 happen. There are just too many unanswered questions,
3 and if it's not down in black and white, no one knows
4 better than you Commissioners how things can waiver from
5 that. I think that people have to take a long, hard
6 look at this.

7 I mentioned that there is a movie that was
8 made about Kohlberg, Kravis & Roberts entitled
9 Barbarians at the Gate, and it's a very interesting
10 movie, and I would recommend that everyone look at that.
11 And if you don't have the time to look at it, you can
12 get sort of Cliff Notes on the Internet regarding it.

13 But I feel that there is no guarantee that
14 these benefits are going to be passed on by this new
15 company. I feel that it either has to be very much a
16 requirement of these people if it is allowed to happen,
17 for instance, will the headquarters stay here in Tucson,
18 or can you put a recommendation, or not a recommendation
19 but a requirement that they stay here in Tucson. And I
20 think that it, it is simply something that, and as has
21 been brought out, this is a whole new thing, we're
22 setting a precedent that this is going to take a long,
23 long hard look.

24 Thank you very much.

25 COM. MUNDELL: Thank you, Ellen.

1 COM. HATCH-MILLER: Thank you for coming
2 back a second time.

3 COM. MUNDELL: There is also, the movie was
4 based on a book. There was a book called Barbarians at
5 the Gate.

6 COM. MAYES: Yes, I was going to add, I
7 think at least two Commissioners up here have that book
8 on our shelves. Actually, I read it in graduate school.

9 COM. MUNDELL: Frank Grijalva.

10 MR. GRIJALVA: Frank, F-r-a-n-k,
11 G-r-i-j-a-l-v as in Victor, a.

12 Mr. Chairman, Commissioners, I'm here to
13 speak as a customer with TEP. I'm also a 19-year
14 employee with TEP.

15 I support the acquisition. I think that
16 based on the current information that we have now that
17 it's a good thing. I mean, there's a lot of unknowns
18 that, you know, people have spoken of, and I think in
19 any kind of transaction, you are going to have those
20 issues. And I think that's where we place or I place my
21 confidence in the Commission to kind of go through the
22 details and insure that we are going to, you know, those
23 things will be covered.

24 I think that there has been a lot of issues
25 as far as contributions to nonprofits and the charities

1 around town. I'm one of the volunteers that goes out
2 and contributes time to some of these charities. I see
3 what the company also contributes as far as monetary
4 issues, and from what I understand in the meetings we
5 have had as employees, that's, that current level of
6 monetary contributions is going to continue. And I know
7 that as far as the employees contributing time as we
8 have in the past, you know, I think last year was over
9 24,000 hours of volunteer hours. That's going to
10 continue. I don't think because we have a new investor
11 that the employees are going to say, "Guess what?
12 We're not going to contribute our time anymore." That's
13 always going to be there. And I have to believe that
14 the company in making the statement that they believe
15 the current level of contributions will continue, and
16 who knows, possibly increase. I have to believe that
17 when they say that. I think that the management that's
18 in place will push for that because they realize that
19 not only, you know, investing in the company is one
20 thing, they also have to invest in the community. I
21 believe that the volunteer efforts, the funds, and
22 everything will continue as they have.

23 I think also, you know, we talk about, you
24 know, having faith in the, what's going to happen, some
25 of the commitments. We keep hearing, "Okay, they say

1 this is going to happen, they say that's going to
2 happen." Yes, there are no guarantees, but I think we
3 have to place some faith in that just as we place faith
4 in some of our elected officials and some of the things
5 they say they are going to do when they get elected. I
6 mean, we have to place some of that faith in them as
7 well.

8 I don't think that the KKR would invest in
9 TEP if they thought it was a bad deal or if they had
10 plans of tearing it apart and making it a bad deal. I
11 think from what I understand, they would look at it as
12 an opportunity because of the current management in
13 place and seeing what a good job they've done to be able
14 to grow the company. Who knows, instead of us being
15 acquired by another utility, maybe we're acquiring some
16 other utilities, you know, throughout the state or in
17 another area. You know, I think that's, to me, I would
18 see that's what their goals would be. But that's just
19 my opinion.

20 Also, I'm a vice-president for the
21 International Brotherhood of Electrical Workers Local
22 1116 which represents the employees of Tucson Electric
23 Power. I'm not speaking on behalf of the local, but
24 just on my behalf that what I have seen through the
25 years with the current management and what I think will

1 continue has been a good relationship with the company.
2 Years and years ago, I don't think it was as good as it
3 is now. We, of course we don't agree on everything, but
4 we have agreed to disagree on some issues, but there has
5 never been any animosity towards each other.

6 COM. MUNDELL: Let me just jump in. Do you
7 know, I don't know the answer to this, that's why I'm
8 asking the question, what the buyers' history is in
9 their relationships with unions? Again, we keep
10 looking sort of backward at, again, current TEP
11 management and what has occurred by volunteers, their
12 contributions to the nonprofits, but our decision has to
13 be sort of forward looking. And I guess you look at, as
14 you said, at how people have acted in the past, it's a
15 good indicator of how they will act in the future. So I
16 guess my question would be what is KKR and J.P. Morgan
17 and Wachovia's history, relationship, whatever word you
18 want to use with unions in the other businesses that
19 they've purchased.

20 MR. GRIJALVA: I don't know for sure. I
21 mean, just, I guess you could say third-party rumors,
22 whatever you want to call it, KKR, no, they don't have a
23 good reputation with companies because of how they have
24 handled some of the other ones. But I also have to
25 believe that they have said everything will stay in

1 place. The contracts that are in place will stay there.
2 And I believe that our management, like I say, with the
3 relationship we have with them, that they have sold us
4 to the investors and said, you know, "Hey, this is a
5 good relationship. What we have going on is a good
6 thing. You wouldn't want to break this up." I have to
7 believe that is what they are telling the investors and
8 that's why they have said, "Okay, yes, let's keep what's
9 there. We don't want to cause trouble or make this a
10 bad investment. We want to keep it on a good track."

11 COM. MUNDELL: Sir, let me ask you, how long
12 are your contracts currently?

13 MR. GRIJALVA: Our current contract expires
14 the end of next year.

15 COM. MUNDELL: Thank you. I didn't mean to
16 cut you off. I just jump in when I think of things
17 sometimes. Are you done with your presentation?

18 MR. GRIJALVA: Pretty much, yes.

19 COM. MUNDELL: Go ahead.

20 MR. GRIJALVA: If you have other
21 questions --

22 COM. MAYES: I do, Frank. Thank you for
23 coming.

24 As I said earlier, I raised a number of
25 questions in the letter I wrote to the docket about the

1 new proposed buyers' intentions relative to health care
2 benefits of employees, outsourcing of jobs. I'm really
3 keenly interested in what you have to say. Has IBEW
4 taken a formal vote of any kind about this proposed
5 merger?

6 MR. GRIJALVA: We have, and we'll actually
7 be submitting a formal statement through our attorney,
8 and I think you will hear that next week.

9 COM. MAYES: Okay.

10 MR. GRIJALVA: I can only speak on my
11 behalf. I'm not speaking for the local as a whole.

12 COM. MUNDELL: They have intervened.

13 COM. MAYES: What, do you have a sense
14 informally of your cohorts' views on this?

15 MR. GRIJALVA: I do know and I can say that
16 the executive board of which I am a member for our local
17 does support it.

18 COM. MAYES: The executive board does?

19 MR. GRIJALVA: Yes. And from some of the
20 other people I have talked to, just employees in
21 general, some of the comments I hear, they, sure, they
22 have their questions. And like I say, there's always
23 those unknowns and they are not sure what is going to
24 happen. And the more you hear about KKR, it's, "Well,
25 is this a bad thing?" Like I say, you have to have,

1 maybe I'm too much of an optimistic, but I think that
2 yes, they wouldn't want to invest in something that was
3 not going to work. And like I say, to me I think it's
4 an investment they want to see grow, not tear apart, to
5 make more money with it. Like I say, with the support
6 of the current management, for the union and the
7 relationship we have, I believe it's going to continue
8 that way. I don't see any reason for it not to go that
9 way.

10 COM. MAYES: And have you had a chance to
11 ask Mr. Stuart of KKR or anyone from J.P. Morgan what
12 they intend to do relative to outsourcing or health care
13 benefits?

14 MR. GRIJALVA: No, I haven't had an
15 opportunity to ask them personally. I know that those
16 issues are always issues, whether they're the investor
17 or not. I mean, currently, with the cost of health care
18 going up, the need to maintain, you know, even as
19 shareholders now some kind of profitability, you're
20 always going to have that outsourcing issue. We are
21 dealing with that now, but fortunately, it's not a,
22 being forced on us in a way that it's a bad thing. It's
23 actually another, working with other companies and even
24 sister companies that are represented by my same local.
25 So they have been good about that. I don't think it's

1 been a bad thing.

2 COM. MUNDELL: Commissioner Gleason.

3 COM. GLEASON: Yes, I just, Commissioner
4 Mayes mentioned the health care, but aren't those
5 covered under your contracts?

6 MR. GRIJALVA: Yes, they are. And that's,
7 the health care benefits, we negotiate those, well, we
8 are going to be negotiating them year to year. They
9 were before negotiated at the end of every contract
10 which typically was about three years. But we have
11 agreed to visit the health issues annually only because
12 of the volatility of the cost of health care. It could
13 go up, it could go down. I mean, we haven't seen it go
14 down, but we have seen some things -- and actually, we
15 have seen a decrease in our company with the current
16 plan they were trying. So we agreed to move our hourly
17 people that are represented by the local to that plan
18 that the unclassified, the management people are under,
19 because they saw a 2 percent decrease, approximately
20 2 percent. That's unheard of. The actuaries tell us
21 that is unheard of, a decrease.

22 But if it's going to work for the company,
23 if they're successful, we're successful as employees.
24 So if that's going to help keep our cost of health care
25 down, hey, let's try it. Let's see if it's going to

1 work because everything else we're looking at, it's not.
2 It's not working. It's going up 14 to 21 percent. And
3 at that rate, I mean, no matter how many increases we
4 get, it's going to turn into a negative eventually.

5 COM. GLEASON: Yes. Just a comment. I did
6 talk to KKR before, and those guys, when they were first
7 thinking about this, and they said they are interested
8 in this company because it is a well-managed company and
9 also the statement they have good labor relations. In
10 other words, anybody that's investing in a company, if
11 they've got labor troubles, usually it's, "woah," you
12 know. So I think it satisfies some of your things.

13 As you said, you have had good relations
14 with this company, at least in the last, pick a number,
15 four or five years.

16 MR. GRIJALVA: I would say probably a few
17 more years than that.

18 COM. GLEASON: Okay.

19 MR. GRIJALVA: But you're right,
20 Mr. Commissioner. It has been a good relationship, and
21 like I say, I see it continuing in that direction.

22 COM. MUNDELL: Mr. Grijalva, tell me again
23 when the contract expires.

24 MR. GRIJALVA: The end of next year, '05.

25 COM. MUNDELL: The end of next year meaning

1 December of '05?

2 MR. GRIJALVA: That's correct.

3 COM. MUNDELL: Okay. Any other statements?

4 We sort of got into questions, and I led the charge
5 there. I didn't want to cut you off. Do you have
6 anything else you would like to tell you us?

7 MR. GRIJALVA: Nothing more than yes, I
8 believe as an employee, as a customer and a member of
9 the union, that this could be a good thing, and I think
10 that with you dotting the Is and crossing the Ts to make
11 sure the details are taken care of and the information
12 they've given us, you know, as far as management that
13 yes, that's something I can support.

14 COM. MUNDELL: Thank you.

15 Since I was pinch hitting for the Chairman,
16 did I miss anybody? Did anybody else fill out a slip I
17 didn't call? I don't want to miss anybody, but I got
18 handed the baton, and I want to make sure I didn't miss
19 anybody. Anybody else that didn't fill out a slip want
20 to speak?

21 Do any of my fellow Commissioners want to
22 make any closing statements?

23 COM. HATCH-MILLER: Just thank you all for
24 coming. And boy, you stayed late, too, so thank you for
25 your perseverance.

1 COM. MUNDELL: Commissioner Mayes.

2 COM. MAYES: Ditto. I thank you all for
3 being here.

4 COM. MUNDELL: Commissioner Gleason, any
5 comments?

6 COM. GLEASON: Good night.

7 COM. MUNDELL: Thank you for coming. The
8 hearing will start next Monday at 10:00.

9 We stand adjourned.

10 (The hearing concluded at 7:50 p.m.)

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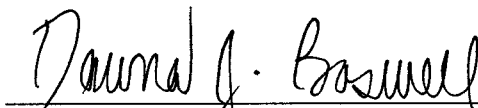
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1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)
4
5
6

7 I, DAWNA J. BOSWELL, Certified Court
8 Reporter No. 50326 for the State of Arizona, do hereby
9 certify that the foregoing printed pages constitute a
10 full, true and accurate transcript of the proceedings
11 had in the foregoing matter, all done to the best of
12 my skill and ability.

13
14 WITNESS my hand this 18th day of June, 2004.

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17 DAWNA J. BOSWELL
18 Certified Court Reporter
19 Certificate No. 50326
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Attachments

ARIZONA CORPORATION COMMISSION

««UTILITIES DIVISION»»

PUBLIC COMMENT MEETING

UNISOURCE ENERGY CORPORATION E-04230A-03-093
(Utility Name) (Docket Number)
ARIZONA CORPORATION COMMISSION 400 W CONGRESS, ROOM 222 6/17/04
(Location) (Date)

Please Print All Information Carefully

Name Address / City / Zip Code	Telephone Number
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Marian Luzzi 8467 E. Broadway	790-7262
Anna Solivet 8818 E. Harborage Dr. 85710	
Steve Ryan 15. Church Tucson 85701	884-3629
Eunice Williamson Mary Vanderveire	323-2697 909 3084
Jeff Schlegel 1167 W. Samalayun Dr Tucson AZ 85707	757-4392
Eli Tramer 4357 N. Rio Pecos RD Tucson 85719	299-3004
GALE MARSLAND PO BOX 2223: TUCSON, AZ 85702	424-1621
Ted Perlstein 3820 E. Benson Hwy #B Tucson	990 6686

ARIZONA CORPORATION COMMISSION

<<UTILITIES DIVISION>>

PUBLIC COMMENT MEETING

UNISOURCE ENERGY CORPORATION E-04230A-03-093
 (Utility Name) (Docket Number)

ARIZONA CORPORATION COMMISSION 400W CONGRESS, ROOM 222 6/17/04
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Name Address / City / Zip Code	Telephone Number
Lill Creamer 5211 E 7th Tucson 85711	571-9776
Carolyn Smith 3250 E Waverly Tucson 85712	323-4214
M. Hoern 6715 N. 15th Ave PHX AZ 85215 Evelyn Dyer 951 W Orange Grove Tucson 85	602 532-2269
Evelyn Dyer 951 W Orange Grove Linda Morales Tucson AZ	520-218- 0609
FRANK CRUZALVA Green Valley, AZ 85614	745-3464
Mark King Tucson 4762 S. Green Olive Dr. 85730	745-3541
Fletcher Fowler 4040 N 6th Ave Tucson AZ 85705	(320) 548-9630
Steve Alley 2250 E. Broadway Blvd. Tucson, AZ 85719	520 770-0800
HARRY ROBERTSON ON FILE	
NINA TRASSOFF 3440 Via Guadalupe 85716	349- 0676
Sandy Narambeira Tucson Children's Mus.	

ARIZONA CORPORATION COMMISSION

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PUBLIC COMMENT MEETING

UNISOURCE ENERGY CORPORATION E-04230A-03-093
(Utility Name) (Docket Number)

ARIZONA CORPORATION COMMISSION 400 W CONGRESS, ROOM 222 6/17/04
(Location) (Date)

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Name Address / City / Zip Code	Telephone Number
Dan Gregory 1101 N. 4th Ave 85705	624-5600
Debbie Rich 3922 N. Mountain Ave 85719	322-9155
MARSHALL MAGRUDER (marshall@magruder.org) PO Box 1267 TUBAC AZ 85646	520-398- 8587
T. ROBERTSON PO Box 4565 TUBAC AZ.	(520) 398-2308
VALERIE RAULUK PBOX 42708 TUCSON, 85733	(520) 326- 3195
JOHN DOUGHERTY TUCSON CHAMBER 465 W. ST. MARYS RD T, AZ 85702	792-2250
ELLEN KURTZ HC 65 Box 7990 Arima AZ	398-985
VLAD SLOMBER & TUESSEN 85713	326-4633
Al Sterman 2849 E 8th St TSN 85716	520/ 327-0241
FRED J. CHAFFET 2700 S 8th Ave Tucson AZ	520- 647-7611
STEPHEN AHEARN (RUCO)	

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Date 6-17-04

Agenda Item No. _____

Name VALERIE RAULUK

Title CITIZEN

Representing (Group Affiliation) SELF (AND CLEAN ENERGY CORPORATION)

Street Address POB 42708

City TUCSON State AZ Zip 85733 Telephone No. _____

Comments: _____

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Date 6-17-04

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Name JEFF SCHLEGEL

Title _____

Representing (Group Affiliation) _____

Street Address _____

City _____ State _____ Zip _____ Telephone No. _____

Comments: _____

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Date 6-17-04

Agenda Item No. _____

Name Dan Gregory

Title Community Relations Coordinator

Representing (Group Affiliation) Casa de los Niños

Street Address 1101 N 4th Ave

City W State AZ Zip 85705

Telephone No. 624-8600

Comments: Endorse legislation

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Date 6/17/84

Agenda Item No. _____

Name Debbie Rich

Title Associate Director

Representing (Group Affiliation) TV Nido Children & Family Services

Street Address 3922 N. Mountain Ave

City TVCSM State AZ Zip 85719 Telephone No. 322-9155

Comments: Endorse acquisition

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Date June 17, 2004

Agenda Item No. _____

Name JOHN DOUGHERTY

Title DIRECTOR, GOV'T. AFFAIRS

Representing (Group Affiliation) TUCSON METRO. CHAMBER OF COMMERCE

Street Address 465 W. ST. MARYS RD.

City TUCSON State AZ Zip 85702 Telephone No. 792-2250

Comments: _____

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Agenda Item No. _____

Date _____

Name FRED J. CHAFFEE

Title PRES & CEO AZ CHILDREN

Representing (Group Affiliation) AZ CHILDREN ASSN

Street Address 4708 S. 8th AVE

City TUCSON State AZ Zip 85713

Telephone No. 520-697-7611

Comments: _____

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Date 6/17/04

Agenda Item No. _____

Name Will Creamer

Title Director #

Representing (Group Affiliation) Reach Out & Read Southern AZ

Street Address 5211 E 7th

City TLC State AZ Zip 85711 Telephone No. 571 9776

Comments: I am in favor of S.H.

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Date 6/17/07

Agenda Item No. _____

Name AL Stermian

Title _____

Representing (Group Affiliation) _____

Street Address 2849 E. 8th St

City Tucson State AZ Zip 85716 Telephone No. 520-327-0241

Comments: _____

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Date 6/17 Agenda Item No. _____
Name Carolyn Smith
Title Region Communications Manager
Representing (Group Affiliation) American Cancer Society
Street Address 1636 N Swan #151
City Tucson State AZ Zip 85712 Telephone No. 323-4214
Comments: _____

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Date 6-17-04

Agenda Item No. _____

Name WAD SHOMBERG

Title ECONOMIST

Representing (Group Affiliation) SELF

Street Address 1470 S. PALO VERDE DR #109

City TUCSON State AZ Zip 85713 Telephone No. 326-4633

Comments: _____

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Date 6-17-04

Agenda Item No. _____

Name LES PARSONS

Title CONCERNED CITIZEN

Representing (Group Affiliation) A.A.R.A

Street Address 2580 W. SAN JUAN TERRACE

City TUCSON State AZ Zip 85713 Telephone No. _____

Comments: _____

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Date 6/17/04 Agenda Item No. 1
Name Steve Alley
Title President/CEO
Representing (Group Affiliation) Community Foundation for Southern Arizona
Street Address 2250 E. Broadway Blvd.
City Tucson State AZ Zip 85719 Telephone No. 520-772-0800
Comments: Support for Acquisition Reorganization

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Date Jan 17, 2004

Agenda Item No. 1

Name PATRICK ZUMBUSCH

Title PRESIDENT

Representing (Group Affiliation) Community Food Bank

Street Address 3003 S. Country Club

City Tucson State AZ Zip 85717 Telephone No. (520) 622-0525

Comments: Sparring for TIP Community Impact

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Agenda Item No. _____

Date _____

Name EUNICE WILLIAMSON

Title _____

Representing (Group Affiliation) _____

Street Address 2315 E. Greenlee

City TUCSON State AZ Zip 85719 Telephone No. _____

Comments: WHAT IS GOOD FOR TUCSON?

Are they doing the same thing Welp and his
brothers did to the Tucson Electric
♦ THREE MINUTE SPEAKING LIMIT ♦

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

Date 6/17/04 Agenda Item No. _____
Name Sandy Napombejra
Title Exec Director
Representing (Group Affiliation) Tucson Children's Museum
Street Address 200 S. 6th
City Tucson State AZ Zip 85701 Telephone No. 792-9985
Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

✓
Date June 17, 2004

Agenda Item No. _____

Name Anna Jolivet

Title _____

Representing (Group Affiliation) Pima Council on Aging

Street Address 8467 E. Broadway

City Tucson State AZ Zip 85710 Telephone No. 790-7262

Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

Date 6/17/04

Agenda Item No. _____

Name Marion Luper ✓

Title Executive Director

Representing (Group Affiliation) PCA

Street Address 8467 N. Broadway

City Tucson State Ariz Zip 85710 Telephone No. 790-7262

Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

Date 6-17-04

Agenda Item No. _____

Name GALE MARSLAND

Title _____

Representing (Group Affiliation) _____

Street Address _____

City _____ State _____ Zip _____ Telephone No. _____

Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

Date _____

Agenda Item No. _____

Name

GALE MARSLAND

Title _____

Representing (Group Affiliation) _____

Street Address _____

City _____

State _____

Zip _____

Telephone No. _____

Comments: _____

♦ THREE MINUTE SPEAKING LIMIT ♦

* Chairman Spitzer

Gale was called earlier
but was not present.

Gale is now present and ready to speak

Rich Martinez
A.C.C.

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

Date 6/17/04

Agenda Item No. _____

Name ELEN KURTZ

Title _____

Representing (Group Affiliation) SELF

Street Address HC 65 Box 7990

City Flagstaff State AZ Zip 86045 Telephone No. 520-398-2985

Comments: _____

◆ THREE MINUTE SPEAKING LIMIT ◆

PLEASE COMPLETE THIS FORM IF YOU WISH TO SPEAK

Arizona Corporation Commission
Information for Open Meeting

PLEASE PRINT CLEARLY

Date 6/17/04

Agenda Item No. _____

Name FRANK GRITALVA

Title _____

Representing (Group Affiliation) SELF

Street Address 19190 S. ALPHA AVE #8104

City GRN Valley State AZ Zip 85614 Telephone No. 648-1828

Comments: _____

◆ THREE MINUTE SPEAKING LIMIT ◆